JOINT STOCK COMPANY
“FIRST UKRAINIAN INTERNATIONAL BANK”

Financial Statements

for the Year Ended 31 December 2021,
Together with Independent Auditor’s Report

Management Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK":

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" (the "Bank"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the preparation of the financial statements requirements of the Law of Ukraine "On accounting and financial reporting in Ukraine" ("Law on accounting and financial reporting.

Basis for Qualified Opinion

As at 31 December 2021 and 2020 the Bank had investments in 141,170 class B common stocks of Mastercard that were designated as financial assets at fair value through other comprehensive income and were carried in the statement of financial position at cost in the amount of UAH 38 as part of investments in securities, and investments in 41,048 class C common stocks of Visa that were not recognized in the statement of financial position because sufficient documentation to complete the assessment of the asset recognition criteria was not obtained, which both constitutes a departure from IFRSs. Had the Bank measured Mastercard stock at fair value, investments in securities as at 31 December 2021 and 2020 should have been increased by UAH 1,385,002 thousand and UAH 1,386,656 thousand, respectively, reserve of gains and losses on financial assets measured at fair value through other comprehensive income as at 31 December 2021 and 2020 should have been increased by UAH 1,135,701 thousand and UAH 1,137,058 thousand, respectively, deferred tax liabilities as at 31 December 2021 and 2020 should have been increased by UAH 249,300 thousand and UAH 249,598 thousand, respectively, gains (losses) on financial assets measured at fair value through other comprehensive income, before tax, for the years ended 31 December 2021 and 2020 should have been decreased by UAH 1,654 thousand and increased for UAH 381,415 thousand, respectively, income tax relating to financial assets measured at fair value through other comprehensive income included in other comprehensive income for the years ended 31 December 2021 and 2020 should have been decreased by UAH 298 thousand and increased for UAH 68,655 thousand, respectively and information disclosed in notes related to these shares should have been corrected accordingly. As the Bank have not completed the analysis of the criteria for recognition of Visa shares we were unable to determine the effect of this departure on the Bank's financial statements as at 31 December 2021 and 2020.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), together with the ethical requirements that are relevant to our qualified audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

The accompanying financial statements have been prepared assuming that the Bank will continue as a going concern. As discussed in Note 2, 3 and 34 to the financial statements, since 24 February 2022 the impact of the ongoing military actions in Ukraine, the magnitude of further developments, the timing of cessation of those actions and final resolution are unpredictable and adversely affect the operations of the Bank. These conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as going concern. Management's plans concerning these matters are also discussed in Note 3 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Material Uncertainty Related to Going Concern* section and *Basis for Qualified Opinion* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Allowances for expected credit losses on loans and advances to customers	
Allowances for Expected Credit Losses (ECL) represent management's best estimate of the 12-months ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets at the reporting date. They are calculated on a collective basis for portfolios of loans with similar credit risk characteristics and on an individual basis for significant loans on Stage 2 and loans on Stage 3. The calculation of both collective and individual allowances for ECL is inherently judgmental. Collective ECL are calculated using statistical models, which approximate the impact of current and future economic and credit conditions on large portfolios of loans. Risk parameters are subject to the management judgment and the models are reviewed for their relevance. The individual assessment requires judgment to estimate the expected future cash flows scenarios related to	Our audit procedures have included the following: • Obtaining understanding of the Bank's processes and control procedures for determination of a significant increase in credit risk and the risk of default, assessment of expected credit losses on loans and advances to customers. • For collective ECL allowances, the appropriateness of the models and methodology used for material portfolios was assessed with involvement of credit risk and actuarial experts by reference to IFRS 9 "Financial instruments" and market practices. We assessed the appropriateness of management's judgments in respect of methodologies , segmentation, identification of significant increase in credit risk and defaults, including days past due (DPD), time period used

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
that loan. In addition, key areas of judgments and estimates regarding the assessment of allowance for ECL on loans and advances to customers comprise: • Assessment of a significant increase in credit risk and risk of default for determining the stage of impairment of loans and advances to customers; • Measurement of expected credit losses taking into account macroeconomic forecasts and historical information on credit losses incurred. Allowances for ECL is determined as a key audit matter due to significance of the loans to customers balance and significant judgements used in calculations as discussed in Note 5, Note 9 and Note 26.	for probability of default and recovery rates assessment, including macroeconomic adjustment. On a sample basis, we analyzed determination of internal ratings of borrowers as at the reporting date, changes in contractual terms and solvency of borrowers. We checked on a sample basis completeness and accuracy of historical data used as inputs in collective models and checked forward-looking inputs to external macroeconomic forecast. • For individual ECL allowances, the appropriateness of provisioning methodologies was assessed for a sample of loans across the portfolio selected on the risk basis. An assessment was performed in respect of the amount of ECL recognized based on the detailed loan and counterparty information in the credit file and open sources, including the expected future cash flows scenarios applied. Where appropriate, we involved valuation experts to review fair value assessment of the collateral. • We have checked completeness and accuracy of the relevant notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report (governance report) and securities issuer's annual information, which also includes corporate governance report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Bank had investments in equity shares and did not measure these shares at fair value. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the management report affected by this departure.

Other Matter

The financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 12 March 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and Law on accounting and financial reporting, 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 and 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Bank's internal control.
- 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 continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal Requirements

We have been appointed as auditor of the Bank by those charged with governance represented by the Supervisory Board on 22 July 2021. In view of the previous renewals and reappointments, we conducted audit from 1 November 2021 to the date of this report.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee.

We confirm that the prohibited non-audited services referred to ISA or requirements of Article 6, paragraph 4 of Law of Ukraine "On Audit of Financial Statements and Audit Activities" were not provided and that the audit engagement partner and audit firm remains independent of the Bank in conducting the audit.

Pursuant to the requirements of Article IV paragraph 11 of the Instruction on the procedure for preparation and publication of financial statements of Ukrainian banks approved by the Resolution of the Board of the National Bank of Ukraine No. 373 dated 24 October 2011 (with amendments) ("Instruction No. 373"), we report the following:

- In our opinion, based on the work undertaken in the course of our audit of the Bank's financial statements, the management report has been prepared in accordance with the requirements of the Article IV of the Instruction No. 373 and the information in the management report is consistent with the financial statements, except matters described in the *"Other Information"* section.
- We are required to report if we have identified material misstatements in the management report in light of our knowledge and understanding of the Bank obtained during our audit of the Bank's financial statements. We have nothing to report in this respect, except matters described in the *"Other Information"* section.

Pursuant to the "Requirements to the information applicable to the audit or review of the financial statements prepared by the capital market and organized commodity market participants supervised by the National Securities and Stock Market Commission (the "NSSMC")" No. 555 dated 25 July 2021 (the "NSSMC Requirements"), we report the followings:

- Information on the full legal name of the Bank, ultimate controlling party and the structure of the ownership is disclosed in Note 1 to the financial statements.
- As at 31 December 2021 the Bank was not a controlling party or participant of a non-banking financial group.
- The Bank is a public interest entity in accordance with the Law on accounting and financial reporting.
- As at 31 December 2021 the Bank does not has subsidiaries.

- Prudential ratios, established by the NSSMC for relevant activity of professional participants in capital markets and organized commodity markets, are not applicable to banks that perform professional activities at stock markets in accordance with “Regulation on prudential ratios for professional activities at stock markets and risk management requirements” dated 1 October 2015.
- The creation of the Revision Commission is not stipulated by the Bank’s Charter, and, accordingly, the report on the results of revision of financial and economic activity for the 2021 financial year was not prepared by such commission.
- Limited Liability Company “Deloitte & Touche Ukrainian Services Company” (USREOU code 25642478, https://www2.deloitte.com/ua/uk.html) have audited the Bank’s financial statements according to the agreement No.Aud/2021/79746 dated 25 October 2021. The audit was conducted in the period from 1 November 2021 to the date of this report.

Basic Information about Audit Firm

Name: Limited Liability Company “Deloitte & Touche Ukrainian Services Company”.

Address of registration and location of the audit firm: 48, 50a Zhylianska Str., Kyiv, 01033, Ukraine.

“Limited Liability Company “Deloitte & Touche Ukrainian Services Company” was enrolled to Sections of “Audit Entities”, “Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements”, and “Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements of Public Interest Entities” of the Register of Auditors and Auditing Entities of the Audit Chamber of Ukraine under # 1973.”

LLC „Deloitte & Touche USC“

7 October 2022

Certified Auditor Natalia Samoilova

Registration Number in the Register of Auditors and Auditing Entities 102404

LLC “Deloitte & Touche Ukrainian Services Company”
48, 50a Zhylianska Str., Kyiv, 01033, Ukraine

(in Ukrainian Hryvnias and in thousands)

	Notes	2021	2020
Assets			
Cash and cash equivalents	6	21,326,213	14,534,838
Loans and advances to banks	7	2,802,502	1,486,374
Investments in securities	8	23,142,132	18,454,704
Loans and advances to customers	9	53,086,793	37,573,208
Derivative financial assets	18	10,814	9,492
Other financial assets	12	1,625,557	576,523
Other non-financial assets	12	281,383	349,351
Property, plant and equipment	10	1,698,168	1,647,151
Investment property	10	62,099	71,330
Intangible assets other than goodwill	10	255,846	264,333
Right-of-use assets	11	344,117	294,432
Deferred tax assets	25	13,200	2,218
Total assets		**104,648,824**	**75,263,954**
Liabilities			
Due to the Central Bank	13	5,693,029	4,200,554
Due to others banks	14	1,445,197	1,356,654
Customer accounts	15	80,917,134	57,515,262
Derivative financial liabilities	18	8,204	26,291
Lease liabilities	16	379,968	328,639
Current tax liabilities		257,844	132,528
Other financial liabilities	17	2,463,602	1,341,892
Other non-financial liabilities	17	922,553	678,123
Total liabilities		**92,087,531**	**65,579,943**
Equity			
Share capital	19	4,780,595	4,780,595
Share premium		101,660	101,660
Revaluation surplus		437,533	448,068
Reserve of gains and losses on financial assets measured at fair value through other comprehensive income		124,623	130,887
Statutory reserve		2,909,909	1,605,862
Retained earnings		4,206,973	2,616,939
Total equity		**12,561,293**	**9,684,011**
Total liabilities and equity		**104,648,824**	**75,263,954**

Signed on behalf of the Management Board on 7 October 2022.

S. P. Chernenko (Chairperson of the Management Board)

K. O. Shkoliarenko (Chief Financial Officer)

O. O. Poleshchuk (Chief Accountant)

The accompanying notes on pages from 6 to 92 form an integral part of these financial statements.

(in Ukrainian Hryvnias and in thousands)

	Notes	2021	2020
Interest revenue calculated using effective interest method	21	11,643,088	9,045,859
Interest income	21	191,009	189,905
Interest expense	21	(2,603,206)	(2,389,067)
Net interest income		**9,230,891**	**6,846,697**
Commission income	22	3,166,429	2,418,276
Commission expense	22	(1,119,867)	(742,224)
Net commission income		**2,046,562**	**1,676,052**
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	6, 7, 8, 9, 12, 28	(763,463)	(1,113,492)
Net increase (decrease) from trading in foreign currencies		160,498	170,006
Net increase (decrease) from foreign exchange translation		191,191	78,018
Net increase (decrease) from operations with debt financial instruments at fair value through other comprehensive income		13,858	23,766
Net increase (decrease) from revaluation of investment property	10	1,673	(1,167)
Gains (losses) on change in fair value of derivatives		(59,557)	4,974
Net increase (decrease) from financial instruments at fair value through profit or loss		(1,225)	4,209
Gains (losses) on initial recognition of financial assets at interest rates above or below market		1,062	21,618
Gain (loss) arising from derecognition of financial assets measured at amortised cost		(950)	1,713
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	12, 28	(2,021)	203
Other gains (losses)	23	74,042	107,628
Profit (loss) from operating activities		**10,892,561**	**7,820,225**
Operating expense	24	(5,781,289)	(4,654,941)
Profit (loss) before tax		**5,111,272**	**3,165,284**
Tax expense (income)	25	(923,680)	(557,191)
Profit for the reporting period		**4,187,592**	**2,608,093**
Earnings per share (UAH per share)	31	**292.35**	**182.08**

Signed on behalf of the Management Board on 7 October 2022.

S. P. Chernenko (Chairperson of the Management Board)

K. O. Shkoliarenko (Chief Financial Officer)

O. O. Poleshchuk (Chief Accountant)

(in Ukrainian Hryvnias and in thousands)

	2021	2020
Profit for the reporting period	**4,187,592**	**2,608,093**
Other comprehensive income		
Components of other comprehensive income that will be reclassified to profit or loss, net of tax		
Gains (losses) on financial assets measured at fair value through other comprehensive income, before tax	22,876	91,936
Reclassification adjustment on financial assets measured at fair value through other comprehensive income, before tax	(16,657)	(57,701)
Amounts removed from equity and adjusted against fair value of financial assets on reclassification out of fair value through other comprehensive income measurement category, before tax	(13,858)	(23,766)
Income tax relating to financial assets measured at fair value through other comprehensive income included in other comprehensive income	1,375	(1,885)
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	**(6,264)**	**8,584**
Total other comprehensive income for the reporting period	**4,181,328**	**2,616,677**

Signed on behalf of the Management Board on 7 October 2022.

S. P. Chernenko (Chairperson of the Management Board)

K. O. Shkoliarenko (Chief Financial Officer)

O. O. Poleshchuk (Chief Accountant)

(in Ukrainian Hryvnias and in thousands)

	2021	2020
Cash flows from (used in) operating activities		
Interest received	11,939,356	9,213,878
Interest paid	(2,542,475)	(2,499,361)
Commission income received	3,159,364	2,421,785
Commission expenses paid	(1,095,800)	(701,067)
Net (increase) / decrease from operations with foreign currencies	160,498	170,006
Net (increase) / decrease from operations with financial instruments at fair value through profit or loss	(79,334)	5,693
Other cash receipts from operating activities	82,101	135,437
Administrative expenses and other paid operating expenses	(4,825,076)	(3,982,229)
Income taxes refund (paid)	(807,972)	(595,496)
Net cash flows from (used in) operations	**5,990,662**	**4,168,646**
Net (increase)/decrease in operating assets		
Loans and advances to banks	(1,414,154)	(188,183)
Investments in securities*	72,728	(28,252)
Loans and advances to customers	(16,273,652)	(3,630,812)
Other financial assets	(1,079,191)	(362,686)
Other non-financial assets	692	(68,884)
Net (decrease)/increase in operating liabilities		
Due to the Central Bank	1,500,000	4,200,000
Due to other banks	285,299	(15,530)
Customer accounts	25,434,014	11,094,119
Debt securities issued by the bank	(116)	(1,028)
Other financial liabilities	745,974	(593,556)
Other non-financial liabilities	405,983	137,297
Net cash flows from (used in) operating activities	**15,668,239**	**14,711,131**
Cash flows from investing activities		
Purchases of property, plant and equipment	(406,224)	(332,936)
Proceeds from sales of property, plant and equipment	26,051	6,812
Purchase of intangible assets	(207,836)	(161,469)
Proceeds from sales of investment property	6,074	18,873
Purchase of securities	(157,464,031)	(160,501,186)
Proceeds from sale of investments in securities	152,116,041	151,831,594
Net cash flows from (used in) investing activities	**(5,929,925)**	**(9,138,312)**
Cash flows from financing activities		
Dividends paid (Note 19)	(1,304,046)	(2,000,043)
Payments of lease liabilities	(154,242)	(143,085)
Net cash flows from (used in) financing activities (Note 32)	**(1,458,288)**	**(2,143,128)**
Effect of exchange rate changes on cash and cash equivalents	(1,486,847)	1,434,140
Impact of expected credit losses on cash and cash equivalents	(1,804)	(638)
Net increase (decrease) in cash and cash equivalents	**6,791,375**	**4,863,193**
Cash and cash equivalents at beginning of period	14,534,838	9,671,645
Cash and cash equivalents at end of period (Note 6)	**21,326,213**	**14,534,838**

* *Net (increase) / decrease of investments in securities measured at fair value through profit or loss.*

Signed on behalf of the Management Board on 7 October 2022.

S. P. Chernenko (Chairperson of the Management Board)

K. O. Shkoliarenko (Chief Financial Officer)

O. O. Poleshchuk (Chief Accountant)

(In Ukrainian Hryvnias and in thousands)

	Share capital	Share premium	Revaluation surplus	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Statutory reserve	Retained earnings	Total equity
Equity as at 31 December 2019	**3,294,492**	**101,660**	**456,914**	**122,303**	**1,475,430**	**3,616,578**	**9,067,377**
Profit (loss)	–	–	–	–	–	2,608,093	**2,608,093**
Other comprehensive income	–	–	–	8,584	–	–	**8,584**
Total comprehensive income for the year	**–**	**–**	**–**	**8,584**	**–**	**2,608,093**	**2,616,677**
Dividends recognised as distributions to owners (Note 19)	–	–	–	–	–	(2,000,043)	**(2,000,043)**
Increase (decrease) through other changes, equity	–	–	(8,846)	–	–	8,846	**–**
Distribution of previous years' profit (Note 19)	1,486,103	–	–	–	130,432	(1,616,535)	**–**
Equity as at 31 December 2020	**4,780,595**	**101,660**	**448,068**	**130,887**	**1,605,862**	**2,616,939**	**9,684,011**
Profit (loss)	–	–	–	–	–	4,187,592	**4,187,592**
Other comprehensive income	–	–	–	(6,264)	–	–	**(6,264)**
Total comprehensive income for the year	**–**	**–**	**–**	**(6,264)**	**–**	**4,187,592**	**4,181,328**
Dividends recognised as distributions to owners (Note 19)	–	–	–	–	–	(1,304,046)	**(1,304,046)**
Increase (decrease) through other changes, equity	–	–	(10,535)	–	–	10,535	**–**
Distribution of previous years' profit (Note 19)	–	–	–	–	1,304,047	(1,304,047)	**–**
Equity as at 31 December 2021	**4,780,595**	**101,660**	**437,533**	**124,623**	**2,909,909**	**4,206,973**	**12,561,293**

Signed on behalf of the Management Board on 7 October 2022.

S. P. Chernenko (Chairperson of the Management Board)

K. O. Shkoliarenko (Chief Financial Officer)

O. O. Poleshchuk (Chief Accountant)

(In Ukrainian Hryvnias and in thousands)

1. Principal activities

JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" (hereinafter, the "Bank") was established on 20 November 1991. The Bank commenced its operations in April 1992. The Bank provides a full range of banking services, including attracting deposits and granting loans, investing in securities, servicing payments in Ukraine and transferring funds abroad, exchanging currencies, issuing and processing transactions with payment cards.

The Bank is a member of the Individual Deposit Guarantee Fund effective from 2 September 1999 (Registration Certificate # 102 dated 6 November 2012), which operates in accordance with the Law of Ukraine # 2740-III "On Individual Deposit Guarantee Fund". The Individual Deposit Guarantee Fund ensures the repayment of individual deposits up to UAH 200 thousand per individual (2020: UAH 200 thousand).

As at 31 December 2021 and 2020, the Bank's shareholders were SCM FINANCE (92.3% in the share capital) and SCM HOLDINGS LIMITED (Cyprus) (7.7% in the share capital). The ultimate controlling party of the Bank is Mr. R. L. Akhmetov, a citizen of Ukraine.

The Bank's registered address is at: 4 Andriivska Str, Kyiv, Ukraine. As at 31 December 2021, the Bank had six regional centers and 242 outlets in Ukraine (31 December 2020: six regional centers and 218 outlets in Ukraine).

2. Operating environment of the Bank

In 2021, the Ukrainian economy demonstrated growth by about 3.2% of real GDP, which did not compensate the shrinking of the economy in 2020 by 4.4% of real GDP resulting from the outbreak of coronavirus disease (COVID-19) and respective national lockdown initiatives aimed at curbing the spread of COVID-19 pandemic. The inflation rate was at the level of 10.0% (2020: 5.0%), which was the highest indicator since 2017, alongside with a slight devaluation of the national currency (by around 1.2% to USD and 4.9% to EUR comparing to the previous year averages).

In 2021, the National bank of Ukraine (the "NBU") revised the discount rate amount several times. During 2021, the NBU took a decision to increase the discount rate from 6.5% in March to 8.5% in September 2021. In 2022, the NBU revised the discount rate twice, in January 2022 the decision was approved to increase the discount rate to 10% and in June 2022 to increase to 25%.

During 2021, Ukraine continued to limit its political and economic ties with the Russian Federation, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict in certain parts of Luhanska and Donetska regions. The situation became worse in late 2021 due to the concentration of the Russian Federation armed forces close to the borders of Ukraine and the threat of further military aggression of the Russian Federation against Ukraine.

On 21 February 2022, the Russian Federation recognized the occupied territories in Luhanska and Donetska regions as independent republics and, on 24 February 2022, the Russian Federation started its military invasion of Ukraine resulting in a full-scale war across the Ukrainian state. The ongoing military attack has led, and continues to lead, to significant damage to infrastructure, dislocation of the population, and disruption to economic activity in Ukraine. All ports in the Black Sea area stopped to work, and exports made via seaports was fully suspended. Transportation of goods inbound and outbound is performed by railway and trucks. Airports, many roads, and bridges are closed, have been damaged or destroyed, further crippling transportation and logistics. The situation remains highly fluid, and further developments are subject to extraordinary uncertainty. The economy of the country has experienced serious consequences. At the end of April, Ukraine faced a significant shortage of fuel and had to create new logistical supply routes from Europe. The government has introduced a range of emergency measures to stabilize the economy.

Since February 2022 the inflation rate increased in annual terms up to 20%, because of the disruption of supply chains and production processes, uneven demand, increased business costs, physical destruction of assets of many companies caused by the Russian Federation attack on Ukraine.

With the start of the invasion, the NBU has introduced some temporary protective measures as restriction of cross-border payments in foreign currency, fixing the official exchange rate for major currencies (on 21 July 2022 the NBU has changed the official exchange rate of the hryvnia against U.S. dollar by 25%, to UAH/USD 36.5686). In addition, since the start of the war the NBU decided that the discount rate would stay unchanged at 10%, since the forced administrative restrictions are in place. However, in June 2022 decided to increase it up to 25%. The NBU stated it would revert to the traditional format of inflation targeting with a floating exchange rate after the economy and financial system return to their normal operational mode. The Ukrainian government continued to service external debt obligations, and the banking system remains operational.

2. Operating environment of the Bank (continued)

The Ukrainian government received financing and donations from international organizations, along with individual countries, and charities to support financial stability, social related payments, and military needs. On 9 March 2022, the International Monetary Fund (the "IMF") approved an additional financing for Ukraine under an emergency support program known as the Rapid Financing Instrument ("RFI") in the amount of USD 1.4 billion. In March-April 2022, the European Bank for Reconstruction and Development (the "EBRD") announced an initial resilience package of EUR 2 billion directed for the support of citizens, companies, and countries affected by the war in Ukraine. During the first half of 2022, the European Union provided Ukraine with the financial support of EUR 1.2 billion. In July 2022 the European Parliament voted for additional support of EUR 1 billion. In March 2022, the US Senate provided a final approval for the USD 13.6 billion emergency package directed for military and humanitarian aid to Ukraine.

In addition, starting March 2022, the Ministry of Finance hold auctions for the placement of military domestic government debt securities, which allowed to raise more than 100 billion hryvnias as at the end of June 2022.

In March 2022, the government introduced a zero quota on exports of mineral fertilizers, cattle, cattle meat, rye, buckwheat, millet, sugar, and table salt. Exports of wheat, corn, chicken meat, eggs, sunflower oil are subject to licensing. Exports of gas are prohibited.

On 15 March 2022, the Verkhovna Rada of Ukraine introduced some changes to the tax legislation and adopted the Law of Ukraine No. 2120-IX "On Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period".

On 23 June 2022, the European Union at the Brussels summit approved a decision to grant Ukraine the candidate status to join European Union. Ukraine will become a participant of some European Union programs and initiatives open to candidates.

On 22 July 2022, in Istanbul, representatives of Ukraine signed an agreement with Turkey and the United Nations on the unblocking of ports and the resumption of grain exports, which are blocked in Black Sea ports due to the war. The Russian Federation also signed a "mirror agreement" with representatives of Turkey and the United Nations.

The war between Ukraine and the Russian Federation is ongoing, resulting in a significant destruction of property and assets in Ukraine and a significant displacement of people in Ukraine. The consequences of the war are changing day to day and the long-term implications are unclear. Further impact on the Ukrainian economy depends upon the way the Russian Federation military invasion in Ukraine is resolved and upon the success of the Ukrainian government in realization of new reforms, recovery strategy after the invasion is stopped and the transformation of the state to acquire European Union membership, cooperation with the international funds.

3. Basis of preparation

General information

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" (the "Law on Accounting and Financial Reporting"). The financial statements have been prepared on the historical cost basis, except for financial instruments and investment property carried at fair value, as well as buildings and works of art recognized at revalued amounts.

In March 2014, Crimea, an autonomous republic of Ukraine, was annexed by the Russian Federation, which was not recognized by Ukraine and many other countries. In spring 2014, certain areas of Luhanska and Donetska Regions saw a military conflict provoked by the actions of the Russian Federation. As a result, a part of Donetska and Luhanska Regions remained under control of two self-proclaimed republics located in the territory of those regions, where the Ukrainian authorities were unable to ensure in full the fulfillment of the requirements of the Ukrainian legislation. On 21 February 2022, the Russian Federation officially recognized a legal status of the above self-proclaimed republics and allowed using its armed forces in those territories.

On 24 February 2022, the Russian army invaded into the territory of Ukraine and commenced military actions in a significant part of the country. Those events have led to human casualties, dislocation of the population, a significant damage to infrastructure, and have had a significant adverse impact on business environment in Ukraine, including the ability of many entities to continue as a going concern in the normal course of business. In response to the military actions, the Decree of the President of Ukraine No. 64/2022 imposed the martial law which is currently extended for the period until 21 November 2022.

3. Basis of preparation (continued)

General information (continued)

As at the date these financial statements were authorized for issue, it is difficult to predict the duration and scales of hostilities in Ukraine. The continued military actions and the martial law period may lead to imposition of additional administrative restrictions. These conditions indicate to a significant uncertainty that may cast a doubt on the Bank’s ability to continue as a going concern in the normal course of business in the foreseeable future.

These financial statements have been prepared on a going concern principle. Though the Bank’s management believes that it undertakes all required measures to support the stability of the Bank’s operations required under the existing circumstances, the overall uncertainty caused by the ongoing military actions in the territory of Ukraine may result in an adverse impact on the Bank’s performance and financial position, the character and consequences of which are current unpredictable. These financial statements reflect the current estimation by management of impact of the terms and conditions of conducting activities in Ukraine on the Bank’s operations and financial position.

The Bank’s management assessed its ability to continue as a going concern considering the existing and potential consequences of the military aggression of the Russian Federation against Ukraine. The Bank’s management believes that the main pressure factor on the financial result is represented by allowances for expected credit losses. The Bank evaluated the actual and projected solvency of customers based on the dynamics of the economy and business state, as well as physical condition and access of the collateral received. The Bank has assessed the potential increase in credit risk that will lead to recognition of additional allowances for expected credit losses based on the potential deterioration of customers’ financial positions and probable level of defaults. According to the Bank’s management, the expenses incurred to create the allowances will not lead to a breach in the NBU’s statutory requirements to capital adequacy in the event the events develop under the worse scenario than determined based on the analysis results. The assessment was based on the map of military activities at the end of June 2022.

The Bank's management believes that the Bank will timely and fully fulfill its own obligations. At the reporting date, current and contingent liabilities exceeded current assets by UAH 9,025,587 thousand (Note 26). The bank continuously monitors liquidity indicators and analyzes stable balances of customer accounts using modelling. The analysis of projected balances of cash, cash on correspondent accounts, investments in Domestic Government Loan Bonds (“DGLBs”), and investment certificates issued by the NBU evidences of the sufficient liquidity cushion. At the same time, during the martial law period, the Bank has high weight of stable balances of customer accounts, which evidences of the absence of threatened mass early cash withdrawals and is, by the way, a feature of high confidence on behalf of customers. The approaches, principles, indicators, and tools for managing the Bank’s liquidity risk are disclosed in Note 26.

Based on the current assessment of operating environment developments, the Bank estimates that, for 2022, it is going to preserve the balance structure close to the existing figures at the reporting date though the balance amounts reduce as a result of additional allowances for expected credit losses. The Bank’s projected performance has been based on the assumptions regarding levels of drop in real GDP and weakened exchange rate of UAH against major currencies.

Based on the results of analyzing the projected liquidity performance, the capital adequacy ratios, the amount of expected credit losses, and additional expenses caused by military activities, the Bank’s management believes it has adequate reasons for preparing these financial statements on a going concern basis.

4. Summary of significant accounting policies

Adoption of new or revised Standards and Interpretations

Changes in significant accounting policies related to adoption of Standards and Interpretations applied for the first time in 2021 are provided below. The nature and effect of each new Standard and amendments thereto are described below.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Leases” – Interest Rate Benchmark Reform: Phase 2

The amendments address issues that may have an impact on the financial statements as a result of interest rate benchmark reform, including the effect of changes on contractual cash flows or hedging relationships arising when a benchmark interest rate is replaced by an alternative benchmark interest rate. The amendments provide a practical relief from certain requirements of IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 related to:

- Changes in the basis for determining contractual cash flows on financial assets, financial liabilities, and lease liabilities;
- Hedge accounting.

4. Summary of significant accounting policies (continued)

Adoption of new or revised Standards and Interpretations (continued)

(I) Change in the basis for determining cash flows

The amendments require that the Bank consider changes in the basis for determining contractual cash flows from financial assets or financial liabilities, which is required in connection with the interest rate benchmark reform, by updating the effective interest rate of a financial asset or financial liability.

The amendments made came into effect from 1 January 2021, but they had no significant impact on the Bank's financial statements.

(II) Hedge accounting

The amendments provide certain exemptions to the hedge accounting requirements in the following areas:

- Allow amending, at the Bank's discretion, the designation of hedging relationships to reflect changes required by the reform;
- When amending a hedge item in cash flow hedging relationships to reflect changes required by the reform, the amount accumulated in cash flow hedging reserve will be treated as established on the alternative benchmark interest rate based on which future cash flows before hedging will be determined;
- When a portfolio (group) of items is determined, at the Bank's discretion, as hedged items, and the item within a group is amended to reflect changes required by the reform, hedged items are distributed to subgroups based on the benchmark interest rates of hedged items;
- In the event the Bank reasonably expects that the alternative benchmark interest rate will be treated as a separately identifiable component within 24 months, then it is allowed to classify, at its own discretion, this rate as a risk component not stipulated for by the agreement if the rate is not a separately identifiable component at the designation date.

(III) Disclosure

Considering that the Bank has no hedge accounting, the amendments made had no significant impact on the Bank's financial statements.

(IV) Transition

The Bank has adopted the amendments made effective from 1 January 2021. Their adoption has not had an effect on the amounts reported in the financial statements for 2021 or prior years.

Amendments to IFRS 16 "Leases" – Covid-19 Related Rent Concessions

The amendment introduces an optional practical expedient for the Bank as a lessee to account for rent concessions that are a consequence of COVID-19. The practical expedient applies when the following conditions are met:

- The revised consideration for the lease is substantially the same or less than the original consideration immediately before the revision;
- The reduction in lease payments relates to payments due on or before 30 June 2022; and
- No other substantive changes have been made to other terms and conditions of the lease.

When applying the practical expedient, the Bank as a lessee is not required to assess whether eligible rent concessions that are a direct consequence of COVID-19 pandemic are lease modifications.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions related to COVID-19 pandemic are lease modifications and account for them accordingly.

During the year ended 31 December 2021, the Bank determined that the lease modifications were not a direct consequence of COVID-19 pandemic, and it did not apply such practical expedients.

The principal accounting policies applied in the preparation of these financial statements are described below. These principles have been consistently applied to all years presented in the financial statements, unless otherwise indicated.

4. Summary of significant accounting policies (continued)

Classification – financial assets

Under IFRS 9, all debt financial assets that do not meet SPPI (solely payment of principal and interest) criterion are classified at initial recognition as financial assets at fair value through profit or loss (FVTPL). Under this criterion, debt instruments that do not belong to a “basic lending arrangement”, such as instruments containing embedded conversion options or “non-recourse” loans, are measured at FVTPL.

All regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date when the Bank obtains or transfers an asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

After assessment of the business model and SPPI test, a financial asset is classified at initial recognition as measured at amortized cost, at fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss.

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

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

A debt instrument is measured at fair value through other comprehensive income only if it meets both the following conditions and is not classified, at the Bank’s discretion, as measured at fair value through profit or loss:

- The debt instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at fair value through other comprehensive, gains and losses are recognized in other comprehensive income, except for the following items that 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
- Gains and losses on translation differences.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

When it comes to the initial recognition of investments in equity instrument not intended for trading, the Bank may, at its own discretion, take a decision, without the right of further cancellation, to recognize subsequent changes in their fair value in other comprehensive income. Such an option is chosen for each investment separately.

Gains and losses on such equity instruments are never reclassified to net income, and no impairment loss is recognized in profit or loss. Dividends are recognized in profit or loss, unless it is evident that they represent a return of the initial cost of the investment, in which case the dividends are recognized in other comprehensive income. When an investment is disposed, cumulative gains and losses recognized in other comprehensive income are reclassified to retained earnings.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, at the initial recognition, the Bank may, at its own discretion, classify, without the right to further reclassification, a financial asset that meets the criteria for measurement at amortized cost or at fair value through other comprehensive as measured at fair value through profit or loss, if this would eliminate or significantly reduce the accounting inconsistency that would otherwise have occurred.

4. Summary of significant accounting policies (continued)

Business model assessment

The Bank assesses the objective of a business model within which an asset is held at the level of financial instrument portfolio, insofar as this best reflects the way the business is managed and information provided to management personnel. At that, the following information is considered:

- Policies and objectives set for this portfolio of financial assets, as well as those set for the policies in practice, in particular, whether the strategy of management personnel is aimed at obtaining interest income provided for by an agreement, support for a certain structure of interest rates, ensuring matching of maturities of financial assets with maturities of financial liabilities used to finance those assets or obtaining cash flows through the sale of assets.
- How the portfolio effectiveness is evaluated and how this information is communicated to the Bank’s management personnel.
- Risks impacting the effectiveness of a business model (and financial assets held within this business model) and how those risks are managed.
- How the managers who manage the business are remunerated (e.g., whether this remuneration depends on the fair value of the assets they manage or on the contractual cash flows they receive from the assets).
- Frequency, volume, and terms of sales in past periods, the reasons for such sales, as well as expectations about the future level of sales. However, the information on sale levels is considered not separately, but as part of a single comprehensive analysis of how the Bank’s objective of managing financial assets is achieved and how cash flows are managed.

Financial assets held for trading which are managed and the effectiveness is evaluated based on fair value are measured at fair value through profit or loss, since they are held neither for the purpose of obtaining contractual cash flows nor for the purpose of both obtaining contractual cash flows and selling financial assets.

Assessment of whether contractual cash flows are solely the payment of principal and interest

For the purposes of this assessment, principal amount is defined as the fair value of a financial asset at its initial recognition. The interest is defined as compensation for time value of money, credit risk related to a principal outstanding for a certain period of time, and other basis risks and expenses related to lending (e.g., liquidity risk and administrative expenses), as well as profit margins.

In assessing whether contractual cash flows are solely the payment of principal and interest on the outstanding part of the principal (“SPPI” criterion), the Bank analyzes the contractual terms of a financial instrument.

Reclassification

The classification of financial assets after initial recognition does not change, except in the period following the one in which the Bank changes its business model for managing financial assets. The Bank should reclassify its financial assets only if it has changed the business model used to manage those financial assets. It is expected that such changes occur rarely. Such changes are determined by the Bank’s senior management as a consequence of external or internal changes and are significant for the Bank’s operations and obvious to external parties.

The classification of financial liabilities after initial recognition is not subject to change.

Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset) is derecognized where:

- The contractual rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- The Bank either has transferred substantially all the risks and rewards from the asset, or has neither transferred nor retained substantially all the risks and rewards from the asset, but has transferred control over the asset.

4. Summary of significant accounting policies (continued)

Derecognition (continued)

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Any accumulated profit/loss recognized in other comprehensive income from equity investment securities classified, at the Bank’s discretion, as measured at fair value through other comprehensive income is not subject to reclassification into net income or loss upon de-recognition of such securities. Any participation interest in the transferred financial asset that meets the criteria for de-recognition that has arisen or was retained by the Bank is recognized as a separate asset or liability.

Write offs

Loans and debt securities are subject to write-offs (partially or in full) when there are no reasonable expectations of their recoverability. In such cases, the Bank generally determines that a borrower has no assets or sources of income which can generate cash flows in the amount sufficient to repay debts that are subject to write-offs.

However, the Bank may continue to pursue activities aimed at collecting debts on written off financial assets in accordance with the policy of collecting amounts due.

Modification of financial assets and financial liabilities

Financial assets

As part of credit risk management, the Bank reviews the terms of loans to customers facing financial difficulties (the “policy of reviewing the terms of loan agreements”). If the Bank plans to change the terms of a financial asset in such a manner that this change would result in the forgiveness of a part of the existing contractual cash flows, the part of an asset is written off until the substantiality of the modification of terms is assessed. The Bank performs a qualitative assessment of the substantiality of this modification following the Bank’s policy for reviewing the terms of loan agreements.

If cash flows differ significantly (“substantial modification of terms”), the validity of rights to the contractual cash flows related to the original financial asset is deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Changes in cash flows related to the existing financial assets or financial liabilities are not considered to be a modification of terms if they result from current terms of the agreement, e.g., changes in interest rates by the Bank due to changes in the discount rate of the National Bank of Ukraine if the relevant loan agreement allows for the Bank to change interest rates.

The Bank makes a quantitative and qualitative assessment of whether the modification of terms is substantial, i.e. whether cash flows from the original financial asset and cash flows from the modified asset or a financial asset that changed it differ substantially. The Bank makes a quantitative and qualitative assessment of the sustainability of the terms modification by analyzing qualitative factors, qualitative factors, and the cumulative effect of qualitative and quantitative factors. If cash flows differ substantially, the validity of rights to the contractual cash flows related to the original financial asset is deemed to have expired.

If cash flows from a modified asset measured at amortized cost do not differ substantially, then such a modification of terms does not result in a de-recognition of a financial asset. In this case, the Bank recalculates the gross carrying amount of a financial asset and recognizes the amount of adjustment of the gross carrying amount as profit or loss from the modification in profit or loss. The gross carrying amount of a financial asset is recalculated as the present value of revised or modified cash flows discounted using the original effective interest rate on this financial asset. Expenses and fees incurred adjust the carrying amount of the modified financial asset and are amortized over the life of the modified financial asset.

In the event of changes in the contractual terms of a financial instrument to reflect a change in periodic market rates of interest because the borrower has an option to repay without a significant penalty combined with its ability to obtain alternative financing at market rates from other financial market participants, such a change is not treated as modification. In such cases, a new effective interest rate is applied prospectively from the contract modification date.

Financial liabilities

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

4. Summary of significant accounting policies (continued)

Modification of financial assets and financial liabilities (continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the new liability is treated with recognition of the resulting difference in the respective carrying amounts. Financial guarantees represent irrevocable commitment to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight line basis over the life of the commitment. At each reporting date, financial guarantees are measured based on the allowance for ECLs. Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss.

Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments, including loan commitments and letters of credit and applies the requirements to measurement of ECLs in respect of such commitments.

Impairment – Financial assets, loan commitments, and financial guarantees

The impairment model applies to the following financial instruments that are not measured at fair value through profit or loss:

- Financial assets that are debt instruments;
- Receivables under lease contracts;
- Loan commitments and liabilities under financial guarantees.

Impairment losses on investments in equity instruments are not recognized.

Allowances for expected credit losses are recognized in the amount equal to either expected credit losses for 12 months or expected credit losses over the life of an instrument for the financial instruments in respect of which a significant increase in credit risk was identified. Expected credit losses over the life of an instrument are the expected credit losses arising from all possible default events over the whole contractual life of a financial instrument, while expected credit losses for 12 months represent a part of the expected credit losses arising from the default events possible within 12 months after the reporting date.

To estimate the allowance for expected credit losses on financial receivables, the Bank uses a practical expedient in accordance with IFRS 9.

The Bank recognizes allowances for expected credit losses in the amount equal to expected credit losses for the life of an instrument, except for the instruments in respect of which the amount of recognized allowance will be equal to the expected credit loss for 12 months:

- Debt securities, if it has been determined that they have a low credit risk at the reporting date. The Bank believes that a debt security has a low credit risk if its credit rating corresponds to the world generally accepted definition of the "investment quality" rating;
- Other financial instruments (other than receivables under lease contracts), in respect of which there has been no significant increase in credit risk from their initial recognition;
- Allowances for losses on receivables under lease contracts will always be measured at the amount equal to the expected credit losses over the lifetime of an instrument.

The notion of expected credit losses measurement, definitions of default, and other interpretations of the key approaches to impairment are provided in the Note 26 "Risk Management".

Fair value measurement

The Bank measures financial instruments carried at fair value through profit or loss, as well as at fair value through other comprehensive income and such non-financial assets as investment property, buildings, and works of art at fair value at each reporting date.

4. Summary of significant accounting policies (continued)

Fair value measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair vale measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market should be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses the fair value measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Statement of comprehensive income

The amounts withdrawn from equity and adjusted at fair value of financial assets as a result of reclassification and withdrawn from the category of measured at fair value through other comprehensive income, before tax, represent the realized revaluation of securities measured at fair value through other comprehensive income and recognized in the Statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include balances on correspondent accounts and overnight deposits due from other banks, deposit certificates issued by the National Bank of Ukraine with maturities up to one business day, cash on hand and in transit, and balances with the National Bank of Ukraine.

Bank metals

Bank metals are accounted for as other assets, and related profit or loss is recognized in other income.

Gold and other bank metals are recorded at the NBU's bid prices, which approximate fair values and are quoted at a discount to the London Bullion Market rates. Changes in the NBU's bid prices are recorded as foreign exchange differences on dealing in bank metals within other income.

Repossessed collateral

Repossessed collateral represents non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in property, plant and equipment, other financial assets, or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of those assets and are subsequently measured and accounted for in accordance with the accounting policies for those categories of assets. As part of other assets, such assets are stated at cost, less impairment.

Sale and repurchase agreements

Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions.

The securities sold under sale and repurchase agreements are retained in the statement of financial position. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within the amounts due to other banks or other borrowed funds.

The securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from other banks or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest rate method.

4. Summary of significant accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments, including forwards and swaps in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market or contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from those instruments are included in the statement of profit or loss as net gains/(losses) from derivative financial instruments.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangements results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than for a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include liabilities due to the National Bank of Ukraine, due to other banks, issued deposit certificates, customer accounts, subordinated debt, and other borrowed funds. Upon initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses related to such liabilities are recognized in the statement of profit or loss when the borrowings are derecognized, and expense is recognized through the amortization process.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The right to set off should not be contingent on a future event and should be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity or any of the counterparties.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Income taxes

Income taxes have been provided for in the financial statements in accordance with the Ukrainian legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in the statement of profit or loss, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expense.

Deferred income tax is provided for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction, other than a business combination, if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Property, plant and equipment

Property, plant and equipment, other than buildings and works of arts, are stated at cost, less accumulated depreciation and any impairment, where required.

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Upon initial recognition at cost, the Bank's buildings and works of arts are carried at revalued amounts, which is the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of profit or loss, in which case the increase is recognized in the statement of profit or loss. A revaluation deficit is recognized in the statement of profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation surplus for buildings and recognized in other comprehensive income.

When an item of buildings is revalued, any accumulated depreciation is restated pro rata to the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals to its revalued amount.

The revaluation surplus is allocated directly to the retained earnings if the revaluation amount is realized, i.e. if an asset is realized or written off in the process of use of that asset by the Bank. In the latter case, the realized revaluation represents the difference between the depreciation accrued based on the revalued carrying amount of the asset and the depreciation accrued based on its historical cost.

Construction in progress is carried at historical cost, less any allowance for impairment. Upon completion, assets are reclassified to the category of buildings or leasehold improvements at the ir carrying amounts. Construction in progress is not depreciated until the asset is available for use, in which case it is transferred to another category of property, plant and equipment.

At each reporting date, the carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable. If any such indication exists, management of the Bank estimated the recoverable amount, which is determined as the higher of an asset's fair value, less costs to sell, and its value in use. The carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss for the year. The impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value, less costs to sell.

Gains or losses on disposals determined by comparing the proceeds on disposal with the carrying amounts of assets are recognized in profit or loss for the year (within other operating income or expense).

Costs related to repairs and renewals are charged when incurred and included in operating expense, unless they qualify for capitalization.

Depreciation of an asset begins from the date when it is available for use. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. For the key categories of property, plant and equipment, the following annual depreciation rates are used:

Buildings	2%–5%	
Leasehold improvements	20%	Or over the term of the lease, if shorter than 5 years
Computers and other equipment	20%–33%	

Works of arts are not amortized. The assets' residual values, useful lives, and depreciation methods are revised and adjusted, as appropriate, at each financial year-end.

Intangible assets other than goodwill

All intangible assets other than goodwill, of the Bank have definite useful lives and include capitalized computer software and licenses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable.

4. Summary of significant accounting policies (continued)

Intangible assets other than goodwill (continued)

Capitalized costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g., its maintenance, are expenses when incurred. Capitalized computer software and licenses are amortized on a straight-line basis over the expected useful lives from 3 to 10 years.

Investment property

Investment property is the property, which is held by and not occupied by the Bank, to earn rental income or for capital appreciation.

Investment property is initially recognized at cost and subsequently measure at fair value, which reflects market conditions at the reporting date.

Gains and losses resulting from changes in the fair value of investment property are recorded in the statement of profit or loss in gains less losses on revaluation of investment property in the year in which they arise.

If the investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Leases

A lease is entered into by a contract which conveys to a user (lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. A portion of an asset may be separated as a separate identified asset if it is physically distinct. If it cannot be physically distinct, then a portion of an asset is not a separately identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset.

If a contractual payment contains more than one lease component or a combination of lease and non-lease component, the contract is based on the relative values of the payment itself.

The Bank as a lessee

For short-term leases not exceeding 12 months from the inception date, as well as for the leases of underlying assets of low value, the Bank applies a practical expedient not to recognize the right-of-use assets and lease liabilities. Lease payments under such contracts are recognized as operating expense over the whole term of the contract.

In other cases, the net present value of lease payments is recognized as a financial liability. And the lease payments are divided into payments of principal and interest by using the effective interest rate method.

Correspondingly, the right-of-use asset is recognized at the net present value of lease liabilities on a contract commencement date, including other direct related costs. Preliminary payments made prior to the commencement date, as well as consideration received from a lessor are included in right-of-use assets. The right-of-use assets are amortized on a straight-line basis over the lease term or over the useful life of the asset, if this term is shorter than the lease term.

In the event of a change in the amount of expected lease payments, e.g., due to an indexed calculation, or based on new estimates of contractual options, the liability is revalued. The adjustment is made together with a relevant recalculation of the right-of-use.

The Bank as a lessor

A lease under which the Bank acts as a lessor and all the risks and rewards incidental to ownership of an underlying asset are transferred to a lessee is classified as a finance lease. In this case, the net present inflows of minimum lease payments are recognized as an asset in the form of receivables. Payments from the lessee are divided to repayment of the carrying amount of the asset and interest income recognized over the term of finance leases by using the effective interest rate method.

All other lease contracts under which the Bank acts as a lessor are classified as operating leases: a lease item continues to be stated in the Bank's statement of financial position, and lease payments are generally recognized as income on a straight-line basis over the lease term.

4. Summary of significant accounting policies (continued)

Retirement and other employee benefit obligations

The Bank pays the unified social tax and contributes to the social insurance funds to the state budget in respect of its employees. The Bank's contributions are expensed as incurred. The Bank has no other post-retirement benefit plans.

Accounts payable attributable to the principal activities and other accounts payable

Accounts payable attributable to the principal activities are recognized when a counterparty has performed its obligations under the contract and are carried at amortized cost.

Share capital

Ordinary shares are classified as equity. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses arising on the sale of treasury shares are stated as adjustments to share premium.

Segment reporting

Segment reporting comprises the following operating segments: Corporate Banking, Retail Banking, Non-Performing Loans Management, Investment Banking, and Unallocated Items.

Contingent assets and liabilities

Contingent liabilities are not recognized in the statement of financial position, but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognized in the statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Interest income and expense

Effective interest rate

Interest income and interest expense are recognized in profit or loss by using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to:

- Gross carrying amount of a financial asset; or
- Amortized cost of a financial liability.

When calculating the effective interest rate for non-credit impaired financial assets, the Bank estimates future cash flows based on all contractual terms of financial instruments, but not expected credit losses. For credit-impaired financial assets, the credit-adjusted effective interest rate is calculated using the estimated future cash flows, including expected credit losses.

The effective interest rate calculation includes transaction costs, as well as all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include additional expenses directly related to the acquisition or issue of a financial asset or a financial liability.

Amortized cost and gross carrying amounts

The amortized cost of a financial asset or a financial liability is the amount at which the financial asset or the financial liability is measured at initial recognition, minus any repayments of the principal, plus or minus the cumulative amortization using the effective interest rate method of any difference between the amount at initial recognition and the maturity amount and minus, in the case of a financial asset, an allowance for expected credit losses.

The gross carrying amount of financial assets measured at amortized cost is the amortized cost of financial assets before recognizing the expected credit losses.

Calculation of interest income and expense

When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of an asset (when an asset is not credit-impaired) or the amortized cost of a liability.

4. Summary of significant accounting policies (continued)

Interest income and expense (continued)

However, for the financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate method to the net carrying amount of a financial asset. If a financial asset is no longer credit-impaired, the interest income is once again calculated on the basis of gross carrying amount.

For the financial assets that were credit-impaired at the initial recognition, interest income is calculated by applying the effective interest rate to the net amortized cost of a financial asset adjusted for credit risk. The calculation of interest income on such assets is not carried out based on the gross carrying amount, even if the credit risk related to them will subsequently decrease.

Commission income

Fees, commissions, and other income and expense item, including fees for issuance of guarantees, are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commitment fees on loans or borrowings which are probable of being drawn down are deferred (together with related direct costs) and recorded as an adjustment to the effective interest rate on the loan or borrowed funds. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for the third party, such as the acquisition of loans, shares, or other securities or the purchase or sale of businesses, are recorded on completion of the underlying transaction.

Foreign currency translation

Ukrainian Hryvnia is the Bank's functional currency as it is the currency of the primary economic environment in which the Bank operates. Transactions in other currencies are treated as transactions in foreign currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rates of the National bank of Ukraine at the reporting date. Gains or losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss as foreign exchange translation results. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the relevant transactions.

Amendments to the financial statements after issue

The Bank's shareholders are entitled to amend the financial statements after they are issued.

New accounting pronouncements

The Standards and Interpretations that have been issued, but are not yet effective, up to the date of issuance of the Bank's financial statements are described below. The Bank intends to adopt those Standards, if applicable, when they become effective.

Amendments to IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets" – Onerous contracts: Cost of fulfilling a contract

The amendments specify which costs the Bank includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Bank does not expect a material impact from the adoption of those amendments.

IFRS 17 "Insurance Contracts"

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 "Insurance Contracts".

4. Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing, and uncertainty of future cash flows, and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard applies for annual reporting periods beginning on or after 1 January 2023, with early application allowed. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023 (initially, 1 January 2021). Considering that the Bank has no instruments subject to the scope of this Standard, the Bank does not expect a material impact on its financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" – Classification of liabilities as current or non-current (within the project on creating Annual Improvements to IFRS Standards 2010-2012 Cycle)

The amendments are aimed at simplifying the understanding of when the liability is classified as current or non-current if an entity intends and is authorized to refinance the liability or extend its repayment for at least 12 months after the reporting period within the existing credit line with a previous borrower on equal or similar terms. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current should be based on the existence at the end of the reporting period of rights to extend the repayment for at least 12 months, as well as expectations about whether an entity will exercise its right to defer settlement of a liability, which refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The Bank does not expect a material impact on its financial statements from the adoption of those amendments.

Amendments to IAS 8 "Accounting Polices, Changes in Accounting Estimates, and Errors" – Definition of accounting estimates

The amendments to IAS 8 are fully related to accounting estimates and clarify the following:

- The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates;
- The Bank develops accounting estimates if the accounting policies require that the items of financial statements are measured in the manner that would lead to measurement uncertainty;
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error;
- A change in accounting estimates may have an effect on both profit or loss of the current period and future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgments" – Disclosure of accounting policies

The amendments make the following changes to IAS 1:

- Now, the Bank is required to disclose material accounting policy information instead of significant accounting policies;
- The supporting paragraphs have been added that clarify that an entity may identify material accounting policy information and provide examples when accounting policy information could be treated as material;
- Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even if the amounts are immaterial;

4. Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

- Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements;
- If an entity discloses immaterial accounting information, it should not distort material accounting information.

In addition, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2 in order to clarify the amendments to IAS 1.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. After the Bank adopts the amendments to IAS 1, it is allowed to apply the amendments to IFRS Practice Statement 2.

Annual Improvements to IFRS Standards 2018–2020 Cycle

A list of amendments includes the amendments to three Standards, as well as the Board's Annual Improvements to IFRS that explain definitions or remove insignificant uncertainties, omissions, or inconsistencies between the requirements in Standards.

- The amendments to IFRS 3 "Business Combinations" update the reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements in business combinations.
- The amendments to IAS 16 "Property, Plant, and Equipment" prohibit to deduct from the value of property, plant, and equipment the amounts received from sales of goods manufactured in the course preparing the asset for its intended use. Instead, those income on sales and relevant expenses are recognized in profit or loss.
- The amendments to IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets" determine the expenses that are included in the course of assessment of whether a contract is loss-making.
- Annual Improvements introduce insignificant amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture", and illustrative examples supporting IFRS 16 "Leases".

The amendments provided become effective from 1 January 2022, with early application permitted.

The Bank does not expect that the application of those amendments may have an impact on the financial statements in future periods, if such transactions take place.

Amendments to IAS 12 "Income Taxes" – Deferred tax related to assets and liabilities arising from a single transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period, the Bank recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities;
  - Decommissioning, restoration, and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset;

(In Ukrainian Hryvnias and in thousands)

4. Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The Bank does not anticipate that the application of those amendments may have a material impact on the financial statements in future periods should such transactions arise.

Reclassifications in the financial statements for the years ended 31 December 2021 and 2020

During the year, in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", the Bank, for the first time, presented its financial statements in the single electronic format based on the Financial Reporting Taxonomy Architecture under international standards for the previous reporting periods. The Bank amended its presentation format, titles of financial statement lines, and, correspondingly, classification of items in the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, and the statement of changes in equity. The Bank's management believes that those changes ensure the reliable and more appropriate information. In accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors", the changes have been made retrospectively, and the comparative data for 2020 have been properly adjusted.

The following items in the Statement of financial position have been reclassified to bring their presentation to the requirements of XBRL taxonomy:

	31 December 2020, previously presented	31 December 2020, newly presented
Statement of financial position	Due from banks	Loans and advances to banks
Statement of financial position	Securities measured at fair value through profit or loss	Investments in securities
Statement of financial position	Securities measured at fair value through other comprehensive income	Investments in securities
Statement of financial position	Loans to customers	Loans and advances to customers
Statement of financial position	Current income tax assets	Current tax assets
Statement of financial position	Investment ownership	Investment property
Statement of financial position	Intangible assets	Intangible assets other than goodwill
Statement of financial position	Other assets	Other financial assets
Statement of financial position	Other assets	Other non-financial assets
Statement of financial position	Other assets	Derivative financial assets
Statement of financial position	Right to use assets	Right-of-use assets
Statement of financial position	Due to the National Bank of Ukraine	Due to the Central Bank
Statement of financial position	Amounts due to banks	Due to others banks
Statement of financial position	Deposit certificates issued	Debt securities issued by the Bank
	Liabilities on leases	Lease liabilities
Statement of financial position	Current income tax liabilities	Current tax liabilities
Statement of financial position	Other liabilities	Other financial liabilities
Statement of financial position	Other liabilities	Other non-financial liabilities
Statement of financial position	Other liabilities	Derivative financial liabilities

(In Ukrainian Hryvnias and in thousands)

4. Summary of significant accounting policies (continued)

Reclassifications in the financial statements for the years ended 31 December 2021 and 2020 (continued)

The following items in the statement of financial position have changed their names and amounts to bring their presentation to the requirements of XBRL taxonomy as at 31 December 2020:

Previously presented	Newly presented	31 December 2020, previously presented	Impact of reclassification	31 December 2020, newly presented
Securities measured at fair value through profit or loss		70,599	(70,599)	−
Securities measured at fair value through other comprehensive income		18,384,105	(18,384,105)	−
	Investments in securities	−	18,454,704	18,454,704
Other assets		935,366	(935,366)	−
	Other financial assets	−	576,523	576,523
	Other non-financial assets	−	349,351	349,351
	Derivative financial assets	−	9,492	9,492
	Total assets	**75,263,954**	**−**	**75,263,954**
Other liabilities		2,046,306	(2,046,306)	−
	Other financial liabilities	−	1,341,892	1,341,892
	Other non-financial liabilities	−	678,123	678,123
	Derivative financial liabilities	−	26,291	26,291
	Total liabilities	**65,579,943**	**−**	**65,579,943**

The following items in the statement of profit or loss have been reclassified to bring their presentation to the requirements of XBRL taxonomy:

	31 December 2020, previously presented	31 December 2020, newly presented
Statement of profit or loss	Interest income calculated by using the effective interest rate	Interest revenue calculated using effective interest method
Statement of profit or loss	Other interest income	Interest income
Statement of profit or loss	Fee and commission income	Commission income
Statement of profit or loss	Fee and commission expense	Commission expense
Statement of profit or loss	*Net gains/(losses) on transactions with foreign currencies:*	
Statement of profit or loss	- Dealing	Net increase (decrease) from trading in foreign currencies
Statement of profit or loss	- Translation differences	Net increase (decrease) from foreign exchange translation
Statement of profit or loss	Net gains on securities measured at fair value through other comprehensive income: - Dealing	Net increase (decrease) from operations with debt financial instruments at fair value through other comprehensive income
Statement of profit or loss	Net (loss)/gain on revaluation of investment ownership	Net increase (decrease) from revaluation of investment property
Statement of profit or loss	Net gain/(loss) on derivative financial instruments	Gains (losses) on change in fair value of derivatives

(In Ukrainian Hryvnias and in thousands)

4. Summary of significant accounting policies (continued)

Reclassifications in the financial statements for the years ended 31 December 2021 and 2020 (continued)

	31 December 2020, previously presented	31 December 2020, newly presented
Statement of profit or loss	Net gains on loans measured at fair value through profit or loss	Net increase (decrease) from financial instruments at fair value through profit or loss
Statement of profit or loss	Income arising on initial recognition of financial assets at the interest rate higher or lower than the market one	Gains (losses) on initial recognition of financial assets at interest rates above or below market
Statement of profit or loss	Gain or loss on de-recognition of financial assets	Gain (loss) arising from derecognition of financial assets measured at amortised cost
Statement of profit or loss	Income tax expense	Tax expense (benefits on return of taxes)
Statement of profit or loss	Net profit for the reporting period	Profit/(loss) for the reporting period

The following items in the statement of financial profit or loss have changed their names and amounts to bring their presentation to the requirements of XBRL taxonomy as at 31 December 2020, without the effect on financial results:

Previously presented	Newly presented	31 December 2020, previously presented	Impact of reclassification	31 December 2020, newly presented
Gain or loss on creation of allowance for expected credit losses		(1,113,289)	1,113,289	–
	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	–	(1,113,492)	(1,113,492)
	Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	–	203	203
Net interest income, less impairment loss	**Net interest income, less impairment loss**	**5,733,408**	–	**5,733,205**
Net gains/(losses) on securities measured at fair value through profit or loss:				
- Dealing		(137)	137	–
- Change in fair value		(35)	35	–
Net gains on loans measured at fair value through profit or loss		4,381	(4,381)	–
	Net increase (decrease) from financial instruments at fair value through profit or loss	–	4,209	4,209
	Profit (loss) from operating activities	**7,820,225**	**–**	**7,820,225**

4. Summary of significant accounting policies (continued)

Reclassifications in the financial statements for the years ended 31 December 2021 and 2020 (continued)

The following items in the statement of comprehensive income have been reclassified to bring their presentation to the requirements of XBRL taxonomy:

	31 December 2020, previously presented	**31 December 2020, newly presented**
Statement of comprehensive income	Net profit for the reporting period	Profit (loss) for the reporting period
Statement of comprehensive income	Other comprehensive income to be reclassified subsequently to profit or loss	Components of other comprehensive income that will be reclassified to profit or loss, net of tax
Statement of comprehensive income	Unrealized gains on transactions with securities measured at fair value through other comprehensive income	Gains (losses) on financial assets measured at fair value through other comprehensive income, before tax
Statement of comprehensive income	Changes in allowance for expected credit losses measured at fair value through other comprehensive income	Reclassification adjustments on financial assets measured at fair value through other comprehensive income, before tax
Statement of comprehensive income	Realized gains on transactions with securities measured at fair value through other comprehensive income reclassified to profit or loss	Amounts removed from equity and adjusted against fair value of financial assets on reclassification out of fair value through other comprehensive income measurement category, before tax
Statement of comprehensive income	Income taxes attributable to components of other comprehensive income	Income tax relating to financial assets measured at fair value through other comprehensive income included in other comprehensive income
Statement of comprehensive income	Net comprehensive income subject to reclassification subsequently in profit or loss	Total other comprehensive income that will not be reclassified to profit or loss, net of tax
Statement of comprehensive income	Total comprehensive income for the reporting period	Total other comprehensive income for the reporting period

(In Ukrainian Hryvnias and in thousands)

4. Summary of significant accounting policies (continued)

Reclassifications in the financial statements for the years ended 31 December 2021 and 2020 (continued)

The following items in the statement of cash flows have been reclassified to bring their presentation to the requirements of XBRL taxonomy:

	31 December 2020, previously presented	31 December 2020, newly presented
Statement of cash flows	Interest income received	Interest received
Statement of cash flows	Interest expense paid	Interest paid
Statement of cash flows	Fee and commission income received	Commission income received
Statement of cash flows	Fee and commission expense paid	Commission expenses paid
Statement of cash flows	Income received on trading in foreign currencies	Net (increase) / decrease from operations with foreign currencies
Statement of cash flows	Other income received	Other cash receipts from operating activities
Statement of cash flows	Operating expense paid	Administrative expenses and other paid operating expenses
Statement of cash flows	Income taxes paid	Income taxes returned (paid)
Statement of cash flows	Due from banks	Loans and receivables of banks
Statement of cash flows	Securities measured at fair value through profit or loss	Investments in securities
Statement of cash flows	Loans to customers	Loans and advances to customers
Statement of cash flows	Other assets	Other financial assets
Statement of cash flows	Other assets	Other assets non-financial assets
Statement of cash flows	Due to the National Bank of Ukraine	Due to the Central Bank
Statement of cash flows	Amounts due to banks	Due to other banks
Statement of cash flows	Other liabilities	Other financial liabilities
Statement of cash flows	Other liabilities	Other non-financial liabilities
Statement of cash flows	Deposit certificates issued/repaid	Purchase of securities / Proceeds from sale of investments in securities
Statement of cash flows	Sale/repayment of securities	Purchase of securities / Proceeds from sale of investments in securities
Statement of cash flows	Purchase of property and equipment and intangible assets	Purchase of property, plant and equipment
Statement of cash flows	Purchase of property and equipment and intangible assets	Proceeds from sales of property, plant and equipment
Statement of cash flows	Purchase of property and equipment and intangible assets	Purchase of intangible assets
Statement of cash flows	Purchase of property and equipment and intangible assets	Proceeds from sales of investment property
Statement of cash flows	Payment of dividends	Dividends paid
Statement of cash flows	Lease payments made	Payments of lease liabilities
Statement of cash flows	Effect of foreign exchange change on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents
Statement of cash flows	Reserve for property and equipment revaluation	Revaluation surplus
Statement of cash flows	Reserve for securities revaluations	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income
Statement of cash flows	Reserve fund	Statutory reserve

(In Ukrainian Hryvnias and in thousands)

4. Summary of significant accounting policies (continued)

Reclassifications in the financial statements for the years ended 31 December 2021 and 2020 (continued)

The following items in the statement of cash flows have changed their names and amounts to bring their presentation to the requirements of XBRL taxonomy as at 31 December 2020, without the effect on total cash amount:

Previously presented	Newly presented	31 December 2020, previously presented	Impact of reclassification	31 December 2020, newly presented
Loss on transactions with securities		(137)	137	–
Gain/(loss) on transactions with financial derivatives		5,830	(5,830)	–
	Net (increase)/decrease on transactions with financial instruments measured at fair value through profit or loss	–	5,693	5,693
	Net cash flows from (used in) operations	**4,168,646**	**–**	**4,168,646**
Other assets		(431,570)	431,570	–
	Net (increase) / decrease in other financial assets	–	(362,686)	(362,686)
	Net (increase) / decrease in other assets	–	(68,884)	(68,884)
Other liabilities		(456,259)	456,259	–
	Net (increase) / decrease in other financial liabilities	–	(593,556)	(593,556)
	Net (increase) / decrease in other liabilities	–	137,297	137,297
	Net cash flows from (used in) operating activities	**14,711,131**	**–**	**14,711,131**
Purchase of property and equipment and intangible assets		(475,532)	475,532	–
Proceeds on sales of property and equipment and intangible assets		6,812	(6,812)	–
	Purchases of property, plant and equipment	–	(332,936)	(332,936)
	Purchases of intangible assets	–	(161,469)	(161,469)
	Proceeds on sales of investment property	–	18,873	18,873
	Proceeds from sales of property, plant and equipment	–	6,812	6,812
	Net cash flows from (used in) investing activities	**(9,138,312)**	**–**	**(9,138,312)**

(In Ukrainian Hryvnias and in thousands)

4. Summary of significant accounting policies (continued)

Reclassifications in the financial statements for the years ended 31 December 2021 and 2020 (continued)

The following items in the statement of changes in equity have changed only names to bring their presentation to the requirements of XBRL taxonomy:

	31 December 2020, previously presented	31 December 2020, newly presented
Statement of changes in equity	Payment of dividends to owners	Dividends recognised as distributions to owners
Statement of changes in equity	Charges to reserve capital	Distribution of previous years' profit
Statement of changes in equity	Distribution of profits to charter capital	Distribution of previous years' profit
Statement of changes in equity	Amortization of reserve for revaluation of property, plant and equipment	Increase (decrease) through other changes, equity

Relevant notes for the years ended 31 December 2021 and 2020 have been amended in accordance with the new presentation.

5. Significant accounting estimates and judgments used in applying accounting policies

The Bank makes estimates and judgments that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are consistently evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management of the Bank also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause significant adjustments to the carrying amounts of assets and liabilities within the next financial year include:

Impairment of loans and advances to customers and accounts receivable

The Bank regularly reviews its loan portfolios and accounts receivable to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgments as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a repayment of the borrower’s debts before the decrease can be identified with an individual loan in that loan portfolio and accounts receivable. When calculating future cash flows, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment for groups of loans and accounts receivable. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank regularly assesses assets pledged as collateral for the individually impaired loans (Stage 3) to estimate the amount of losses likely to be incurred. The amount of the future cash flow from sales of assets is influenced by the value of the assets and the expected term of sale. A simultaneous 10% decrease in the value of assets held by the Bank as collateral and 50% increase in the expected term of exposure of those assets would result in an increase in impairment losses on individually impaired loans by UAH 104,742 thousand (2020: UAH 135,440 thousand).

A 10% increase in the value of collateral for impaired loans without change in the exposure term would result in a decrease of the impairment loss on the individually impaired loans by UAH 52,769 thousand (2020: UAH 62,042 thousand).

Allowance for expected credit losses on corporate loans which is assessed on a collective basis (Stage 1 and a part of loans to customers that fail to meet the materiality criterion at Stage 2) may be influenced by the probability of borrower’s default (PD) and the level of loss incurred when a borrower defaults (Loss Given Default/LGD). A simultaneous 10% increase in PD and LGD would result in an increase in expected credit losses on impairment by UAH 49,098 thousand (2020: UAH 44,490 thousand). A simultaneous 10% decrease in PD and LGD would result in a decrease in expected credit losses on impairment by UAH 44,422 thousand (2020: UAH 40,252 thousand).

Expected credit losses on collectively assessed retail loans may be influenced by the probability of borrower’s default (PD) and the Recovery Rate (RR). A simultaneous 10% increase in PD and 10% decrease in RR would result in the increase in the expected impairment losses by UAH 166,058 thousand (2020: UAH 120,486 thousand). A simultaneous 10% decrease in PD and 10% increase in RR would result in the decrease in the expected impairment losses by UAH 166,058 thousand (2020: UAH 116,788 thousand).

5. Significant accounting estimates and judgments used in applying accounting policies (continued)

Fair value of own buildings used by the Bank, works of arts, and investment property

As stated in Note 4, the Bank's buildings, works of art, and investment property are subject to revaluation on a regular basis. Such revaluations are based on the results of work of an independent appraiser. The basis for their work is the sales comparison approach, which is further confirmed by the income approach. When performing the revaluation, certain judgments and estimates are applied by the appraisers in determination of the comparable buildings to be used in sales comparison approach, useful lives of the assets revalued, and capitalization rates to be applied for the income approach. In 2021, the Bank performed the revaluation of the fair value of own buildings by engaging independent appraisers, the result of which led the Bank to conclude that the fair value of buildings did not differ significantly from their carrying amounts.

If the prices per square meter were 5% higher or lower, the fair value of own buildings used by the Bank would be by UAH 39,888 thousand higher or lower, respectively (2020: UAH 40,325 thousand), and the fair value of investment property would be by UAH 3,105 thousand higher or lower, respectively (2020: UAH 3,567 thousand).

Determining the terms under lease contracts

The Bank considers all available facts and circumstances that give rise to an economic incentive to exercise an option to extend the lease or not to exercise the option to terminated the lease. The Bank determines the total lease term considering an option to extend the lease term and an option to terminate longer lease terms. Where practicable, the Bank seeks to include extension options in new leases to ensure operating flexibility. The Bank assesses, at the lease commencement date, whether it is reasonably certain to exercise the options if there are a significant evet or significant changes in the circumstances within its control. As a result, the lease term of the majority of leases was determined to be in the range from 3 to 5 years. If the lease term were determined to be one year longer, right-of-use assets and lease liabilities would be higher by UAH 131,593 thousand (2020: UAH 149,420 thousand).

Fair value measurements

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable market where possible, but where this is not possible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 27.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model tests. The Bank determines a business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgments reflecting all relevant evidences, including how the performance of assets is evaluated and their performance measured, the risks that affect the performance of assets and how those are managed and how managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in the business model and, correspondingly, a prospective change to the classification of those assets.

Initial recognition of related party transactions

In the course of normal business activities, the Bank transacts with its related parties. IFRS 9 requires accounting for financial instruments at initial recognition at fair value. In view of absence of an active market for such transactions, to determine whether the transactions were performed at market or non-market prices, judgments are used. Such judgments are based on pricing for similar financial instruments and transactions therewith, including analysis of effective interest rates and parameters of the arrangements.

Tax legislation

Due to the presence in the Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on management's judgment of the Bank's business activities was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties, and interest. Tax records remain open to review by the tax authorities for three years.

5. Significant accounting estimates and judgments used in applying accounting policies (continued)

Cash and cash equivalents

Refinancing loans obtained from the National Bank of Ukraine are used by the Bank in its operating activities. Thus, in order to comply with the proceeds reported in the statement of cash flows, changes on refinancing loans are presented in the section of operating activities.

Significant increase in credit risk

ECLs are measured as an allowance equal to 12-month ECLs for Stage 1 assets, or lifetime ECLs assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

Determining and estimating scenarios of expected cash flows and their probabilities on loans to customers measured on an individual basis.

In estimating the degree of expected credit losses on loans and advances to customers measured on an individual basis, the Bank uses significant judgments of management to determine the expected future cash flows on the basis of probable scenarios. The Bank considers several scenarios in respect of the recovery of funds from borrowers and takes into account each of the scenarios, with reference to their relative probabilities. In analyzing future cash flows, all information is taken into account available at the moment of allowance calculation, both internal and external, that is based on open sources, as well as assumptions and projections. The Bank determines the probability for exercising each scenario for the financial instruments measured on an individual basis, with reference to the information available in respect of borrowers and their financial positions, current and forward-looking macroeconomic conditions, as well as considering the Bank’s experience, based on judgments and reasonable assumptions. The Bank uses all available and accessible information obtained without excessive efforts that may have an effect on probability of one or several scenarios.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

Determining the number, a relevant weight of forward-looking scenarios, and determining the forward-looking information relating to each of the scenarios

In estimating the expected credit losses, the Bank uses reasonable and supportable forward looking information that is based on assumptions regarding future movements of varied economic factors and the way those factors are going to affect each other.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that, should credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs, but the amount of ECL changes because the credit risk of the portfolios differs.

(In Ukrainian Hryvnias and in thousands)

5. Significant accounting estimates and judgments used in applying accounting policies (continued)

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets, as well as in estimating ECLs. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

6. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2021	**2020**
Cash on hand and in transit	2,657,646	2,464,186
Current account with the National Bank of Ukraine	1,874,141	1,489,009
Current accounts and overnight deposits with other banks of Ukraine	19,045	69,687
Current accounts and overnight deposits with other banks of other countries	7,878,203	6,512,974
Current accounts and overnight deposits with other foreign banks – expected credit losses	(2,822)	(1,018)
Deposit certificates issued by the National Bank of Ukraine	8,900,000	4,000,000
Total cash and cash equivalents	**21,326,213**	**14,534,838**

In accordance with the NBU requirements, the Bank's mandatory reserve balance is computed as a percentage of certain liabilities of the Bank for the prior provisioning month. As at 31 December 2021 and 2020, the National Bank of Ukraine did not require that the banks hold the mandatory reserves on a separate account. The control over the creation of mandatory reserves is carried out on a monthly basis based on the average data for the entire period of holding.

As at 31 December 2021, deposit certificates issued by the National Bank of Ukraine with the nominal value of UAH 8,900,000 thousand (31 December 2020: UAH 4,000,000 thousand) with the maturity of up to 1 business day were classified by the Bank as cash and cash equivalents.

The following is the analysis of changes in the gross carrying value and the allowance for impairment of cash and cash equivalents during the year ended 31 December 2021:

Cash and cash equivalents	**Stage 1**	**Total**
Gross carrying amounts as at 1 January 2021	**14,535,856**	**14,535,856**
New assets	11,949,420	**11,949,420**
Assets repaid	(9,052,467)	**(9,052,467)**
Increase in carrying amounts during the period	5,383,073	**5,383,073**
Translation differences	(1,486,847)	**(1,486,847)**
As at 31 December 2021	**21,329,035**	**21,329,035**

Cash and cash equivalents	**Stage 1**	**Total**
Expected credit losses as at 1 January 2021	**1,018**	**1,018**
New assets	398	**398**
Assets repaid	(533)	**(533)**
Changes in expected credit risk estimation	2,033	**2,033**
Translation differences	(94)	**(94)**
As at 31 December 2021	**2,822**	**2,822**

(In Ukrainian Hryvnias and in thousands)

6. Cash and cash equivalents (continued)

The following is the analysis of changes in the gross carrying value and the allowance for impairment of cash and cash equivalents during the year ended 31 December 2020:

Cash and cash equivalents	**Stage 1**	**Total**
Gross carrying amounts as at 1 January 2020	**9,672,025**	**9,672,025**
New assets	3,972,661	**3,972,661**
Assets repaid	(3,502,696)	**(3,502,696)**
Increase in carrying amounts during the period	2,936,866	**2,936,866**
Translation differences	1,457,000	**1,457,000**
As at 31 December 2020	**14,535,856**	**14,535,856**

Cash and cash equivalents	**Stage 1**	**Total**
Expected credit losses as at 1 January 2020	**380**	**380**
Assets repaid	(4)	**(4)**
Changes in expected credit risk estimation	547	**547**
Translation differences	95	**95**
As at 31 December 2020	**1,018**	**1,018**

The following is the analysis of current accounts and overnight deposits with other banks by credit quality as at 31 December 2021:

	Current accounts and overnight deposits with other banks in Ukraine	**Current accounts and overnight deposits with other banks in other countries**	**Total**
Stage 1			
- AA- to AA+ rated	–	3,727,773	3,727,773
- A- to A+ rated	–	2,794,595	2,794,595
- BBB- to BBB+ rated	–	1,081,394	1,081,394
- B- to B+ rated	5,326	30	5,356
- Unrated	13,719	274,411	288,130
Total	**19,045**	**7,878,203**	**7,897,248**
Less: Expected credit losses	–	(2,822)	(2,822)
Total current accounts and overnight deposits with other banks	**19,045**	**7,875,381**	**7,894,426**

(In Ukrainian Hryvnias and in thousands)

6. Cash and cash equivalents (continued)

The following is the analysis of current accounts and overnight deposits with other banks by credit quality as at 31 December 2020:

	Current accounts and overnight deposits with other banks in Ukraine	Current accounts and overnight deposits with other banks in other countries	Total
Stage 1			
- AA- to AA+ rated	–	2,292,338	2,292,338
- A- to A+ rated	–	4,505	4,505
- BBB- to BBB+ rated	–	3,793,726	3,793,726
- BB- to BB+ rated	–	383,612	383,612
- B- to B+ rated	18,278	428	18,706
- Unrated	51,409	38,365	89,774
Total	**69,687**	**6,512,974**	**6,582,661**
Less: Expected credit losses	–	(1,018)	(1,018)
Total current accounts and overnight deposits with other banks	**69,687**	**6,511,956**	**6,581,643**

The credit ratings were based on the ratings assigned by the international rating agency of Fitch.

7. Loans and advances to banks

	2021	**2020**
Accrued interest income on current accounts and overnight deposits with other banks	6	2
Term deposits with other banks, including:		
- OECD countries	2,659,385	1,477,303
- Domestic	18,161	5,360
- Other countries	126,898	4,608
Total term deposits with other banks	**2,804,444**	**1,487,271**
Less: Expected credit losses	*(1,948)*	*(899)*
Total loans and advances to banks	**2,802,502**	**1,486,374**

The analysis of changes in the gross carrying value and expected credit losses on loans and advances to banks during the year ended 31 December 2021 was as follows:

Loans and advances to banks	**Stage 1**	**Total**
Gross carrying amounts as at 1 January 2021	**1,487,273**	**1,487,273**
New assets	2,004,501	**2,004,501**
Assets repaid	(598,187)	**(598,187)**
Increase in carrying amounts during the period	7,806	**7,806**
Translation differences	(96,943)	**(96,943)**
As at 31 December 2021	**2,804,450**	**2,804,450**

(In Ukrainian Hryvnias and in thousands)

7. Loans and advances to banks (continued)

Loans and advances to banks	**Stage 1**	**Total**
Expected credit losses as at 1 January 2021	**899**	**899**
New assets	1,405	**1,405**
Assets repaid	(174)	**(174)**
Changes in expected credit risk estimation	(8)	**(8)**
Translation differences	(174)	**(174)**
As at 31 December 2021	**1,948**	**1,948**

The analysis of changes in the gross carrying value and expected credit losses on loans and advances to banks during the year ended 31 December 2020 was as follows:

Loans and advances to banks	**Stage 1**	**Total**
Gross carrying amounts as at 1 January 2020	**1,068,079**	**1,068,079**
New assets	379,388	**379,388**
Assets repaid	(242,869)	**(242,869)**
Increase in carrying amounts during the period	51,331	**51,331**
Translation differences	231,344	**231,344**
As at 31 December 2020	**1,487,273**	**1,487,273**

Loans and advances to banks	**Stage 1**	**Total**
Expected credit losses as at 1 January 2020	**215**	**215**
New assets	481	**481**
Changes in expected credit risk estimation	115	115
Translation differences	88	88
As at 31 December 2020	**899**	**899**

As at 31 December 2021, the term deposits placed with other banks in the OECD and other non-OECD countries for the total amount of UAH 2,786,283 thousand (31 December 2020: UAH 1,481,911 thousand) were represented by security deposits against import letters of credit and guarantees issued by the Bank in favor of its customers.

The analysis by credit quality of term deposits with other banks as at 31 December 2021 was as follows:

	Interest income accrued on current accounts and overnight deposits with other banks	**Term deposits with other banks**	**Total**
Stage 1			
- AA- to AA+ rated	–	1,085,783	**1,085,783**
- A- to A+ rated	6	1,638,655	**1,638,661**
- BBB- to BBB+ rated	–	61,845	**61,845**
- Unrated	–	18,161	**18,161**
Total	**6**	**2,804,444**	**2,804,450**
Less: Expected credit losses	–	(1,948)	**(1,948)**
Total loans and advances to banks	**6**	**2,802,496**	**2,802,502**

(In Ukrainian Hryvnias and in thousands)

7. Loans and advances to banks (continued)

The credit ratings were based on the ratings assigned by the international rating agency of Fitch. In the event a financial institution has no rating assigned by Fitch, but has a rating assigned by S&P or Moody's, the relevant rating should brought in line with the rating of Fitch.

The analysis by credit quality of term deposits with other banks as at 31 December 2020 was as follows:

	Interest income accrued on current accounts and overnight deposits with other banks	Term deposits with other banks	Total
Stage 1			
- AA- to AA+ rated	–	640,912	**640,912**
- A- to A+ rated	–	521,801	**521,801**
- BBB- to BBB+ rated	–	314,590	**314,590**
- B- to B+ rated	2	–	**2**
- Unrated	–	9,968	**9,968**
Total	**2**	**1,487,271**	**1,487,273**
Less: Expected credit losses		(899)	**(899)**
Total loans and advances to banks	**2**	**1,486,372**	**1,486,374**

8. Investments in securities

Investments in securities measured at fair value through profit or loss

	2021	2020
Government debt securities	–	70,599
Total investments in securities measured at fair value through profit or loss	**–**	**70,599**

Investments in securities measured at fair value through other comprehensive income

	2021	2020
Government debt securities	17,025,685	14,375,188
Deposit certificates issued by the NBU	6,109,390	4,001,860
Total debt securities	**23,135,075**	**18,377,048**
Including interest income accrued	***557,501***	***372,626***
Shares	7,057	7,057
Total investments in securities measured at fair value through other comprehensive income	**23,142,132**	**18,384,105**

(In Ukrainian Hryvnias and in thousands)

8. Investments in securities (continued)

The analysis of changes in the gross carrying value and the allowance for expected credit losses on investments in securities measured at fair value through other comprehensive income during the year ended 31 December 2021 was as follows:

Investments in securities	Stage 1	Total
Gross carrying amounts as at 1 January 2021	**18,549,206**	**18,549,206**
New assets	18,054,893	**18,054,893**
Assets repaid	(12,970,702)	**(12,970,702)**
Increase in carrying amounts during the period	(188,786)	**(188,786)**
Translation differences	(192,416)	**(192,416)**
As at 31 December 2021	**23,252,195**	**23,252,195**

Investments in securities	Stage 1	Total
Expected credit losses as at 1 January 2021	**94,502**	**94,502**
New assets	88,421	88,421
Assets repaid	(49,575)	(49,575)
Changes in expected credit risk estimation	(22,189)	(22,189)
Translation differences	(1,096)	(1,096)
As at 31 December 2021	**110,063**	**110,063**

The analysis of changes in the gross carrying value and the allowance for expected credit losses on investments in securities measured at fair value through other comprehensive income during the year ended 31 December 2020 was as follows:

Investments in securities	Stage 1	Total
Gross carrying amounts as at 1 January 2020	**8,965,167**	**8,965,167**
New assets	14,256,369	**14,256,369**
Assets repaid	(5,085,377)	**(5,085,377)**
Increase in carrying amounts during the period	(333,442)	**(333,442)**
Translation differences	746,489	**746,489**
As at 31 December 2020	**18,549,206**	**18,549,206**

Investments in securities	Stage 1	Total
Expected credit losses as at 1 January 2020	**35,036**	**35,036**
New assets	35,177	35,177
Assets repaid	(120)	(120)
Changes in expected credit risk estimation	22,644	22,644
Translation differences	1,765	1,765
As at 31 December 2020	**94,502**	**94,502**

The analysis by credit quality of debt securities measured at fair value through other comprehensive income based on the data published by Standard & Poor's as at 31 December 2021 was as follows:

	Government debt securities	Deposit certificates issued by the NBU	Total
Stage 1			
- B rated	17,025,685	6,109,390	**23,135,075**
Total debt securities	**17,025,685**	**6,109,390**	**23,135,075**

(In Ukrainian Hryvnias and in thousands)

8. Investments in securities (continued)

The analysis by credit quality of debt securities measured at fair value through other comprehensive income based on the data published by Standard & Poor's as at 31 December 2020 was as follows:

	Government debt securities	Deposit certificates issued by the NBU	Total
Stage 1			
- B rated	14,375,188	4,001,860	**18,377,048**
Total debt securities	**14,375,188**	**4,001,860**	**18,377,048**

The credit ratings for the issuers of government debt securities and deposit certificates issued by the National Bank of Ukraine were based on the sovereign rating of Ukraine.

The primary factor that the Bank considers in determining whether a debt security is impaired is an issuer’s credit risk.

As at 31 December 2021, deposit certificates with the nominal value of UAH 8,900,000 thousand (31 December 2020: UAH 4,000,000 thousand), with the maturity of up to one business day, were classified by the Bank as cash and cash equivalents (Note 6).

As at 31 December 2021, government debt securities included domestic government loan bonds with maturities ranging from 5 January 2022 to 30 October 2024 and effective interest rates ranging from 4% to 13% per annum (31 December 2020: maturities ranging from 20 January 2021 to 1 November 2023 and effective interest rates ranging from 3% to 18% per annum), as well as deposit certificates issued by the National Bank of Ukraine with maturities ranging from 6 January 2022 to 14 January 2022 and effective interest rate of 9% per annum (31 December 2020: maturity on 6 January 2021 and effective interest rate of 6% per annum).

9. Loans and advances to customers

	2021	2020
Corporate loans	34,961,592	25,382,599
Finance leases	1,460,325	1,090,811
Less: Expected credit losses	(2,898,279)	(3,262,280)
Total corporate loans, less expected credit losses	**33,523,638**	**23,211,130**
Loans to individuals		
Consumer loans	9,004,030	7,418,717
Credit cards and overdrafts	12,883,536	9,036,847
Mortgage loans	99,367	101,406
Car loans	176	1,723
Less: Expected credit losses	(2,423,954)	(2,196,615)
Total loans to individuals, less expected credit losses	**19,563,155**	**14,362,078**
Total loans and advances to customers	**53,086,793**	**37,573,208**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

The analysis of the gross carrying amounts by stages of impairment as at 31 December 2021 was as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Corporate loans	29,550,074	1,484,937	3,804,145	122,436	**34,961,592**
Finance leases	1,430,029	29,519	777	–	**1,460,325**
Consumer loans	8,315,154	199,430	489,446	–	**9,004,030**
Credit cards and overdrafts	11,813,858	234,118	835,560	–	**12,883,536**
Mortgage loans	50,031	2,787	45,444	1,105	**99,367**
Car loans	–	–	176	–	**176**
Less: Expected credit losses	(1,238,437)	(309,759)	(3,766,261)	(7,776)	**(5,322,233)**
Total loans and advances to customers	**49,920,709**	**1,641,032**	**1,409,287**	**115,765**	**53,086,793**

The analysis of the gross carrying amounts by stages of impairment as at 31 December 2020 was as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Corporate loans	18,423,841	2,162,011	4,640,630	156,117	**25,382,599**
Finance leases	1,086,590	4,221	–	–	**1,090,811**
Consumer loans	6,289,787	429,346	699,584	–	**7,418,717**
Credit cards and overdrafts	8,081,322	200,402	755,123	–	**9,036,847**
Mortgage loans	47,655	1,294	51,450	1,007	**101,406**
Car loans	–	–	1,723	–	**1,723**
Less: Expected credit losses	(825,027)	(342,008)	(4,282,665)	(9,195)	**(5,458,895)**
Total loans and advances to customers	**33,104,168**	**2,455,266**	**1,865,845**	**147,929**	**37,573,208**

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost

The tables below disclose the changes in expected credit losses on loan contracts with the Bank's customers. New financial assets originated include ECL charges on the loans issued during the current or prior periods. The assets repaid represent the winding up of allowances as a result of full repayment or sales of loans. Changes in the expected credit risk estimation during the period include increases or decreases in the expected credit losses under the contracts that existed at the beginning and the end of the reporting or prior periods, including changes due to partial repayments or use of funds within credit limits.

The analysis of changes in the gross carrying amounts and relevant expected credit losses on corporate loans during the year ended 31 December 2021 was as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amounts as at 1 January 2021	**18,423,841**	**2,162,011**	**4,640,630**	**156,117**	**25,382,599**
New assets	17,962,118	–	–	17,078	**17,979,196**
Assets repaid or sold	(6,222,003)	(409,583)	(415,113)	–	**(7,046,699)**
Transfers to Stage 1	139,925	(72,724)	(67,201)	–	**–**
Transfers to Stage 2	(116,625)	116,625	–	–	**–**
Transfers to Stage 3	(34,233)	(1,671)	35,904	–	**–**
Decrease in carrying amounts during the period (partial repayment)	(382,602)	(160,951)	(96,900)	(46,413)	**(686,866)**
Changes in contractual cash flows due to modifications not resulting in de-recognition	(9,229)	(2,205)	4,022	–	**(7,412)**
Write offs	–	–	(188,450)	(3)	**(188,453)**
Translation differences	(211,118)	(146,565)	(108,747)	(4,343)	**(470,773)**
As at 31 December 2021	**29,550,074**	**1,484,937**	**3,804,145**	**122,436**	**34,961,592**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

Corporate loans	Stage 1	Stage 2	Stage 3	POCI	Total
Expected credit losses as at 1 January 2021	**191,597**	**140,137**	**2,914,038**	**8,252**	**3,254,024**
New assets	154,028	–	–	854	**154,882**
Assets repaid or sold	(57,791)	(1,503)	(100,214)	–	**(159,508)**
Transfers to Stage 1	9,784	(3,371)	(6,413)	–	**–**
Transfers to Stage 2	(1,039)	1,039	–	–	**–**
Transfers to Stage 3	(329)	(52)	381	–	**–**
Changes in expected credit risk estimation	(29,156)	(50,517)	(278,307)	(2,315)	**(360,295)**
Recovery of provision for loans written off in prior periods	–	–	12,362	–	**12,362**
Changes in contractual cash flows due to modifications not resulting in de-recognition and other changes within the existing contractual terms	(99)	(113)	885	–	**673**
Write-offs	–	–	(188,450)	(3)	**(188,453)**
Unwinding of discount on the present value of expected credit losses	–	–	258,412	161	**258,573**
Translation differences	(3,406)	(8,067)	(71,913)	(216)	**(83,602)**
As at 31 December 2021	**263,589**	**77,553**	**2,540,781**	**6,733**	**2,888,656**

The analysis of changes in the gross carrying amounts and relevant expected credit losses on finance leases during the year ended 31 December 2021 was as follows:

Finance leases	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at 1 January 2021	**1,086,590**	**4,221**	**–**	**1,090,811**
New assets	920,788	–	–	**920,788**
Assets repaid or sold	(240,323)	–	(585)	**(240,908)**
Transfers to Stage 2	(31,443)	31,443	–	**–**
Transfers to Stage 3	(1,401)	(585)	1,986	**–**
Decrease in carrying amounts during the period (partial repayment)	(304,182)	(5,560)	(624)	**(310,366)**
As at 31 December 2021	**1,430,029**	**29,519**	**777**	**1,460,325**

Finance leases	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 1 January 2021	**8,170**	**86**	**–**	**8,256**
New assets	6,125	–	–	**6,125**
Assets repaid or sold	(2,628)	–	(10)	**(2,638)**
Transfers to Stage 2	(513)	513	–	**–**
Transfers to Stage 3	(9)	(10)	19	**–**
Changes in expected credit risk estimation	(3,005)	854	30	**(2,121)**
Adjustment of interest income	–	–	1	**1**
As at 31 December 2021	**8,140**	**1,443**	**40**	**9,623**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

The analysis of changes in the gross carrying amounts and relevant expected credit losses on consumer loans to individuals during the year ended 31 December 2021 was as follows:

Consumer loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts as at 1 January 2021	**6,289,787**	**429,346**	**699,584**	**7,418,717**
New assets	7,339,321	–	–	**7,339,321**
Assets repaid or sold	(4,044,403)	(282,746)	(116,878)	**(4,444,027)**
Transfers to Stage 1	9,859	(9,859)	–	**–**
Transfers to Stage 2	(145,782)	145,782	–	**–**
Transfers to Stage 3	(220,596)	(129,004)	349,600	**–**
Increase/(decrease) in carrying amounts during the period (partial repayment)	(913,032)	45,911	148,940	**(718,181)**
Write-offs	–	–	(591,800)	**(591,800)**
As at 31 December 2021	**8,315,154**	**199,430**	**489,446**	**9,004,030**

Consumer loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected credit losses as at 1 January 2021	**224,544**	**110,707**	**623,172**	**958,423**
New assets	279,152	–	–	**279,152**
Assets repaid or sold	(127,008)	(47,768)	(61,741)	**(236,517)**
Transfers to Stage 1	2,424	(2,424)	–	**–**
Transfers to Stage 2	(11,754)	11,754	–	**–**
Transfers to Stage 3	(21,396)	(53,677)	75,073	**–**
Changes in expected credit risk estimation	(18,588)	79,267	230,150	**290,829**
Recovery of allowances for loans written off in prior periods	–	–	68,246	**68,246**
Write-offs	–	–	(591,800)	**(591,800)**
Unwinding of discount on the present value of expected credit losses	–	–	91,222	**91,222**
As at 31 December 2021	**327,374**	**97,859**	**434,322**	**859,555**

The analysis of changes in the gross carrying amounts and relevant expected credit losses on credit cards and overdrafts to individuals during the year ended 31 December 2021 was as follows:

Credit cards and overdrafts	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts as at 1 January 2021	**8,081,322**	**200,402**	**755,123**	**9,036,847**
New assets	2,148,201	–	–	**2,148,201**
Assets repaid or sold	(493,741)	(10,500)	(99,944)	**(604,185)**
Transfers to Stage 1	35,643	(35,643)	–	**–**
Transfers to Stage 2	(167,801)	167,801	–	**–**
Transfers to Stage 3	(451,648)	(150,893)	602,541	**–**
Increase in carrying amounts during the period (partial repayment)	2,661,931	62,955	292,713	**3,017,599**
Write-offs	(48)	(4)	(714,810)	**(714,862)**
Translation differences	(1)	–	(63)	**(64)**
As at 31 December 2021	**11,813,858**	**234,118**	**835,560**	**12,883,536**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

Credit cards and overdrafts	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 1 January 2021	**400,006**	**90,950**	**699,392**	**1,190,348**
New assets	128,541	–	–	**128,541**
Assets repaid or sold	(22,320)	(1,662)	(12,858)	**(36,840)**
Transfers to Stage 1	10,491	(10,491)	–	**–**
Transfers to Stage 2	(10,460)	10,460	–	**–**
Transfers to Stage 3	(36,459)	(75,943)	112,402	**–**
Changes in expected credit risk estimation	169,507	119,455	385,582	**674,544**
Recovery of allowances for loans written off in prior periods	–	–	79,496	**79,496**
Write-offs	(116)	(4)	(714,742)	**(714,862)**
Unwinding of discount on the present value of expected credit losses	–	–	203,317	**203,317**
Translation differences	(146)	–	(62)	**(208)**
As at 31 December 2021	**639,044**	**132,765**	**752,527**	**1,524,336**

The analysis of changes in the gross carrying amounts and relevant expected credit losses on mortgage loans to individuals during the year ended 31 December 2021 was as follows:

Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amounts as at 1 January 2021	**47,655**	**1,294**	**51,450**	**1,007**	**101,406**
New assets	15,504	–	–	–	**15,504**
Assets repaid or sold	(3,397)	–	(1,212)	–	**(4,609)**
Transfers to Stage 1	272	(272)	–	–	**–**
Transfers to Stage 2	(2,747)	2,747	–	–	**–**
Transfers to Stage 3	(565)	–	565	–	**–**
Increase/(decrease) in carrying amounts during the period (partial repayment)	(6,415)	(982)	771	81	**(6,545)**
Write-offs	–	–	(5,370)	17	**(5,353)**
Translation differences	(276)	–	(760)	–	**(1,036)**
As at 31 December 2021	**50,031**	**2,787**	**45,444**	**1,105**	**99,367**

Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
Expected credit losses as at 1 January 2021	**710**	**128**	**44,340**	**943**	**46,121**
New assets	85	–	–	–	**85**
Assets repaid or sold	(39)	–	(736)	–	**(775)**
Transfers to Stage 1	11	(11)	–	–	**–**
Transfers to Stage 2	(54)	54	–	–	**–**
Transfers to Stage 3	(10)	–	10	–	**–**
Changes in expected credit risk estimation	(400)	(32)	(21,445)	(26)	**(21,903)**
Recovery of allowances for loans written off in prior periods	–	–	19,456	–	**19,456**
Write-offs	–	–	(5,370)	17	**(5,353)**
Unwinding of discount on the present value of expected credit losses	–	–	2,829	109	**2,938**
Translation differences	(13)	–	(669)	–	**(682)**
As at 31 December 2021	**290**	**139**	**38,415**	**1,043**	**39,887**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

The analysis of changes in the gross carrying amounts and relevant expected credit losses on car loans to individuals during the year ended 31 December 2021 was as follows:

Car loans	Stage 3	Total
Gross carrying amounts as at 1 January 2021	**1,723**	**1,723**
Assets repaid or sold	(2)	**(2)**
Increase in carrying amounts during the period (partial repayment)	5	**5**
Write-offs	(1,465)	**(1,465)**
Translation differences	(85)	**(85)**
As at 31 December 2021	**176**	**176**

Car loans	Stage 3	Total
Expected credit losses as at 1 January 2021	**1,723**	**1,723**
Changes in expected credit risk estimation	(3,750)	**(3,750)**
Recovery of allowances for loans written off in prior periods	3,676	**3,676**
Write-offs	(1,465)	**(1,465)**
Unwinding of discount on the present value of expected credit losses	77	**77**
Translation differences	(85)	**(85)**
As at 31 December 2021	**176**	**176**

The analysis of changes in the gross carrying amounts and relevant expected credit losses on corporate loans during the year ended 31 December 2020 was as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amounts as at 1 January 2020	**16,963,454**	**2,134,070**	**5,381,699**	**266,988**	**24,746,211**
New assets	11,196,486	–	–	–	**11,196,486**
Assets repaid or sold	(7,768,108)	(2,086,765)	(257,065)	–	**(10,111,938)**
Transfers to Stage 1	26,244	(26,231)	(13)	–	**–**
Transfers to Stage 2	(1,483,571)	1,483,571	–	–	**–**
Transfers to Stage 3	(502,470)	(26,420)	528,890	–	**–**
Increase/(decrease) in carrying amounts during the period	(977,944)	36,065	(126,803)	(48,173)	**(1,116,855)**
Changes in contractual cash flows due to modifications not resulting in de-recognition	(11,251)	(6,040)	(6,459)	–	**(23,750)**
Write-offs	(12)	–	(1,483,495)	(88,568)	**(1,572,075)**
Translation differences	981,013	653,761	603,876	25,870	**2,264,520**
As at 31 December 2020	**18,423,841**	**2,162,011**	**4,640,630**	**156,117**	**25,382,599**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

Corporate loans	Stage 1	Stage 2	Stage 3	POCI	Total
Expected credit losses as at 1 January 2020	**252,164**	**74,999**	**3,816,081**	**8,870**	**4,152,114**
New assets	117,907	–	–	–	**117,907**
Assets repaid or sold	(79,149)	(18,441)	(8,136)	–	**(105,726)**
Transfers to Stage 1	1,008	(995)	(13)	–	**–**
Transfers to Stage 2	(56,575)	56,575	–	–	**–**
Transfers to Stage 3	(6,900)	(414)	7,314	–	**–**
Changes in expected credit risk estimation	(49,880)	6,151	(20,487)	79,223	**15,007**
Recovery of allowances for loans written off in prior periods	–	–	3,502	–	**3,502**
Changes in contractual cash flows due to modifications not resulting in de-recognition	(200)	(261)	(148,432)	–	**(148,893)**
Write-offs	(12)	–	(1,487,500)	(84,563)	**(1,572,075)**
Unwinding of discount on the present value of expected credit losses	–	–	369,874	2,318	**372,192**
Translation differences	13,234	22,523	381,835	2,404	**419,996**
As at 31 December 2020	**191,597**	**140,137**	**2,914,038**	**8,252**	**3,254,024**

The analysis of changes in the gross carrying amounts and relevant expected credit losses on finance leases during the year ended 31 December 2020 was as follows:

Finance leases	Stage 1	Stage 2	Total
Gross carrying amounts as at 1 January 2020	**602,011**	**9,323**	**611,334**
New assets	688,566	–	**688,566**
Assets repaid or sold	(88,541)	(864)	**(89,405)**
Transfers to Stage 1	9,323	(9,323)	**–**
Transfers to Stage 2	(9,062)	9,062	**–**
Decrease in carrying amounts during the period	(115,707)	(3,977)	**(119,684)**
As at 31 December 2020	**1,086,590**	**4,221**	**1,090,811**

Finance leases	Stage 1	Stage 2	Total
Expected credit losses as at 1 January 2020	**7,193**	**156**	**7,349**
New assets	4,224	–	**4,224**
Assets repaid or sold	(1,570)	(108)	**(1,678)**
Transfers to Stage 1	51	(51)	**–**
Transfers to Stage 2	(45)	45	**–**
Changes in expected credit risk estimation	(1,683)	44	**(1,639)**
As at 31 December 2020	**8,170**	**86**	**8,256**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

The analysis of changes in the gross carrying amounts and relevant expected credit losses on consumer loans to individuals during the year ended 31 December 2020 was as follows:

Consumer loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at 1 January 2020	**6,254,531**	**124,621**	**1,227,606**	**7,606,758**
New assets	5,537,242	–	–	**5,537,242**
Assets repaid or sold	(3,738,799)	(284,517)	(119,062)	**(4,142,378)**
Transfers to Stage 1	7,358	(7,358)	–	**–**
Transfers to Stage 2	(650,993)	651,237	(244)	**–**
Transfers to Stage 3	(349,023)	(91,729)	440,752	**–**
Increase/(decrease) in carrying amounts during the period	(770,527)	37,092	142,230	**(591,205)**
Write-offs	(2)	–	(991,698)	**(991,700)**
As at 31 December 2020	**6,289,787**	**429,346**	**699,584**	**7,418,717**

Consumer loans	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 1 January 2020	**208,263**	**61,301**	**1,167,824**	**1,437,388**
New assets	197,629	–	–	**197,629**
Assets repaid or sold	(100,992)	(20,922)	(54,490)	**(176,404)**
Transfers to Stage 1	1,772	(1,772)	–	**–**
Transfers to Stage 2	(36,364)	36,564	(200)	**–**
Transfers to Stage 3	(27,824)	(52,408)	80,232	**–**
Changes in expected credit risk estimation	(17,938)	87,952	242,117	**312,131**
Recovery of allowances for loans written off in prior periods	–	–	18,720	**18,720**
Write-offs	(2)	–	(991,698)	**(991,700)**
Unwinding of discount on the present value of expected credit losses	–	(8)	160,667	**160,659**
As at 31 December 2020	**224,544**	**110,707**	**623,172**	**958,423**

The analysis of changes in the gross carrying amounts and relevant expected credit losses on credit cards and overdrafts to individuals during the year ended 31 December 2020 was as follows:

Credit cards and overdrafts	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at 1 January 2020	**5,590,917**	**123,429**	**921,165**	**6,635,511**
New assets	1,575,357	–	–	**1,575,357**
Assets repaid or sold	(317,177)	(6,109)	(13,846)	**(337,132)**
Transfers to Stage 1	18,060	(18,060)	–	**–**
Transfers to Stage 2	(144,518)	144,518	–	**–**
Transfers to Stage 3	(381,580)	(98,003)	479,583	**–**
Increase/(decrease) in carrying amounts during the period	1,740,363	54,630	242,976	**2,037,969**
Write-offs	(100)	(3)	(875,587)	**(875,690)**
Translation differences	–	–	832	**832**
As at 31 December 2020	**8,081,322**	**200,402**	**755,123**	**9,036,847**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

Credit cards and overdrafts	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected credit losses as at 1 January 2020	**247,064**	**60,780**	**879,239**	**1,187,083**
New assets	83,323	–	–	**83,323**
Assets repaid or sold	(12,562)	(1,094)	(7,638)	**(21,294)**
Transfers to Stage 1	5,872	(5,872)	–	**–**
Transfers to Stage 2	(7,897)	7,897	–	**–**
Transfers to Stage 3	(28,542)	(52,225)	80,767	**–**
Changes in expected credit risk estimation	112,783	81,469	342,847	**537,099**
Recovery of allowances for loans written off in prior periods	–	–	11,665	**11,665**
Write-offs	(82)	(5)	(875,603)	**(875,690)**
Unwinding of discount on the present value of expected credit losses	–	–	267,288	**267,288**
Translation differences	47	–	827	**874**
As at 31 December 2020	**400,006**	**90,950**	**699,392**	**1,190,348**

The analysis of changes in the gross carrying amounts and relevant expected credit losses on mortgage loans to individuals during the year ended 31 December 2020 was as follows:

Mortgage loans	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amounts as at 1 January 2020	**61,620**	**6,389**	**734,183**	**1,324**	**803,516**
New assets	2,624	–	–	–	**2,624**
Assets repaid or sold	(7,076)	(107)	(1,659)	–	**(8,842)**
Transfers to Stage 1	91	(91)	–	–	**–**
Transfers to Stage 2	(1,598)	1,598	–	–	**–**
Transfers to Stage 3	(1,813)	(6,190)	8,003	–	**–**
Increase/(decrease) in carrying amounts during the period	(7,118)	(305)	45,324	56	**37,957**
Write-offs	(610)	–	(857,804)	(373)	**(858,787)**
Translation differences	1,535	–	123,403	–	**124,938**
As at 31 December 2020	**47,655**	**1,294**	**51,450**	**1,007**	**101,406**

Mortgage loans	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Expected credit losses as at 1 January 2020	**1,365**	**1,575**	**728,752**	**1,225**	**732,917**
New assets	25	–	–	–	**25**
Assets repaid or sold	(136)	(5)	(1,488)	–	**(1,629)**
Transfers to Stage 1	9	(9)	–	–	**–**
Transfers to Stage 2	(63)	63	–	–	**–**
Transfers to Stage 3	(56)	(1,561)	1,617	–	**–**
Changes in expected credit risk estimation	(265)	65	(14,731)	(60)	**(14,991)**
Recovery of allowances for loans written off in prior periods	–	–	5,904	–	**5,904**
Write-offs	(234)	–	(858,180)	(373)	**(858,787)**
Unwinding of discount on the present value of expected credit losses	–	–	59,676	151	**59,827**
Translation differences	65	–	122,790	–	**122,855**
As at 31 December 2020	**710**	**128**	**44,340**	**943**	**46,121**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Changes in the gross carrying amounts and expected credit losses on loans measured at amortized cost (continued)

The analysis of changes in the gross carrying amounts and relevant expected credit losses on car loans to individuals during the year ended 31 December 2020 was as follows:

Car loans	Stage 3	Total
Gross carrying amounts as at 1 January 2020	**143,674**	**143,674**
Assets repaid or sold	(269)	**(269)**
Increase/(decrease) in carrying amounts during the period	10,621	**10,621**
Write-offs	(175,215)	**(175,215)**
Translation differences	22,912	**22,912**
As at 31 December 2020	**1,723**	**1,723**

Car loans	Stage 3	Total
Expected credit losses as at 1 January 2020	**143,674**	**143,674**
Assets repaid or sold	(243)	**(243)**
Changes in expected credit risk estimation	(3,148)	**(3,148)**
Recovery of allowances for loans written off in prior periods	1,847	**1,847**
Write-offs	(175,215)	**(175,215)**
Unwinding of discount on the present value of expected credit losses	11,894	**11,894**
Translation differences	22,914	**22,914**
As at 31 December 2020	**1,723**	**1,723**

The write-offs for the year ended 31 December 2021 amounted to UAH 1,501,933 thousand (2020: UAH 4,473,467 thousand). The recovery of debt at the cost of loan sales during the year ended 31 December 2021 amounted to UAH 325,081 thousand (2020: UAH 82,151 thousand).

The amounts due under loan contracts on the financial assets written off during the year ended 31 December 2021 and for which the Bank continued working on debt recovery amounted to UAH 1,288,872 thousand (31 December 2020: UAH 3,166,526 thousand).

The amount of undiscounted expected credit losses at the initial recognition on the initially recognized POCI loans was as follows:

	2021	2020
Mortgage loans to individuals	807	–
Total undiscounted expected credit losses at the initial recognition of POCI loans	**807**	**–**

Modified loans

The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financial instrument, with the difference recognized as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be a POCI-asset.

If the modification does not result in de-recognition, based on the changes in cash flows discounted at the original effective interest rate, the Bank recognizes a modification gain or loss, to the extent that the impairment loss has not already been recorded.

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Modified loans (continued)

The table below demonstrates Stages 2 and 3 assets modified during the period, with the related modification gains or losses:

	2021	2020
Loans and advances to customers modified during the period		
Amortized cost before modification	720,426	2,573,399
Net modification gain/(loss)	1,044	(16,832)
Gross carrying amounts of loans and advances to customers as at the end of the reporting period under which the expected credit losses after modification changed from lifetime expected credit losses to 12-month expected credit losses	17,720	–

Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions: securities;
- For corporate lending: real estate items, inventories, and accounts receivable on primary activities, as well as property rights to deposits;
- For retail lending: property rights to movable and immovable properties and to deposits.

The Bank also obtains guarantees from parents on loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreements, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2021, loans were secured by customer deposits with the Bank with the carrying amount of UAH 414,720 thousand (31 December 2020: UAH 463,251 thousand) (Note 15).

Credit quality of the loan portfolio

The loan portfolio quality is managed by using the Bank’s internal credit ratings in respect of borrowings. The Bank’s policies presuppose assigning accurate and unified credit ratings in respect of the total loan portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. The attributable risk ratings are assessed and updated regularly.

While determining a corporate borrower’s rating, the Bank uses the rating calculated under the internal model.

High rating has the following characteristics: expanding operating activities of a borrower, stable financial position (sufficient equity, low dependency on external sources of funding), high efficiency of the business model. The entities with a high rating are either market leaders or have a stable market position, highly effective management, and organization structure. The risk of loan quality deterioration is minimal, credit history is excellent.

Standard rating is assigned to the borrowers with stable volumes of operating activities, with performance effectiveness at industry average. There is some dependency on external sources of funding. The risk of default is low. The entities with standard rating have a stable market position at the regional and national level. Those are the entities with adequate management and organization structure. Credit history is positive, with insignificant technical delays in repayment of borrowings.

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Credit quality of the loan portfolio (continued)

Below standard rating is assigned to the borrowers with unstable or decreasing operating activities, low business efficiency, high dependency on external sources of funding, repayment of loans with cash inflows may be problematic and, therefore, the risk of default is high. Credit history can be characterized by the existence of significant overdue payments. The market position is not stable, the decrease or loss of the market share is possible.

Among other strategies, the Bank has adopted its own credit risk management history envisaging for granting short-term loans to the borrowers with the below standard ratings, with subsequent resolution on extension of the loans subject to positive payment discipline of the borrower.

The analysis by credit quality of corporate loans outstanding, other than factoring operations, as at 31 December 2021 was as follows:

As at 31 December 2021	Stage	High rating	Standard rating	Below standard rating	Impaired	Total
Loans and advances to customers:						
- Corporate loans	Stage 1	5,873,153	14,920,640	5,048,210	−	**25,842,003**
	Stage 2	19,810	1,330,463	56,906	−	**1,407,179**
	Stage 3	−	−	−	1,263,364	**1,263,364**
	POCI	−	−	−	115,703	**115,703**
- Finance leases	Stage 1	258,409	1,071,933	91,547	−	**1,421,889**
	Stage 2	−	680	27,396	−	**28,076**
	Stage 3	−	−	−	737	**737**
Total		**6,151,372**	**17,323,716**	**5,224,059**	**1,379,804**	**30,078,951**

The analysis by credit quality of corporate loans outstanding, other than factoring operations, as at 31 December 2020 was as follows:

As at 31 December 2020	Stage	High rating	Standard rating	Below standard rating	Impaired	Total
Loans and advances to customers:						
- Corporate loans	Stage 1	8,697,035	5,376,762	2,283,053	−	**16,356,850**
	Stage 2	434,820	489,883	1,094,044	−	**2,018,747**
	Stage 3	−	−	−	1,726,591	**1,726,591**
	POCI	−	−	−	147,865	**147,865**
- Finance leases	Stage 1	367,176	491,420	219,824	−	**1,078,420**
	Stage 2	−	3,561	574	−	**4,135**
Total		**9,499,031**	**6,361,626**	**3,597,495**	**1,874,456**	**21,332,608**

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Credit quality of the loan portfolio (continued)

The analysis of retail loans by days past due as at 31 December 2021 was as follows:

As at 31 December 2021	Stage	Not past due	1–30 days	31–60 days	61–90 days	91–180 days	181–365 days	More than 365 days	Total
- Consumer loans	Stage 1	7,782,162	205,418	159	14	21	6	–	**7,987,780**
	Stage 2	38,557	30,584	27,352	5,077	1	–	–	**101,571**
	Stage 3	826	501	365	340	25,733	24,100	3,259	**55,124**
- Credit cards and overdrafts	Stage 1	9,701,780	1,362,001	110,776	64	117	63	13	**11,174,814**
	Stage 2	16,028	15,860	13,955	39,459	16,051	–	–	**101,353**
	Stage 3	1,824	1,426	576	682	25,053	46,232	7,240	**83,033**
- Mortgage loans	Stage 1	47,341	2,400	–	–	–	–	–	**49,741**
	Stage 2	–	1,019	1,629	–	–	–	–	**2,648**
	Stage 3	445	275	212	–	–	349	5,748	**7,029**
	POCI	3	–	–	–	–	–	59	**62**
Total		**17,588,966**	**1,619,484**	**155,024**	**45,636**	**66,976**	**70,750**	**16,319**	**19,563,155**

The analysis of retail loans by days past due as at 31 December 2020 was as follows:

As at 31 December 2020	Stage	Not past due	1–30 days	31–60 days	61–90 days	91–180 days	181–365 days	More than 365 days	Total
- Consumer loans	Stage 1	5,923,933	141,181	114	3	9	2	–	**6,065,242**
	Stage 2	198,496	69,100	37,664	13,375	5	–	–	**318,640**
	Stage 3	1,445	817	496	557	27,121	41,492	4,484	**76,412**
- Credit cards and overdrafts	Stage 1	6,411,150	1,150,082	119,853	53	61	38	80	**7,681,317**
	Stage 2	11,090	20,371	19,051	39,487	19,451	–	–	**109,450**
	Stage 3	1,734	1,832	919	654	16,031	30,388	4,173	**55,731**
- Mortgage loans	Stage 1	42,782	4,164	–	–	–	–	–	**46,946**
	Stage 2	261	228	663	13	–	–	–	**1,165**
	Stage 3	797	61	–	15	596	812	4,830	**7,111**
	POCI	5	–	–	–	–	–	59	**64**
Total		**12,591,693**	**1,387,836**	**178,760**	**54,157**	**63,274**	**72,732**	**13,626**	**14,362,078**

For credit cards, the Bank determines a decrease in credit risk in case the exposure is overdue for over 35 days and default if the exposure is overdue by more than 95 days.

Concentration of loans to customers

As at 31 December 2021, the gross carrying value of loans in the amount of UAH 8,333,486 thousand issued to the Bank’s 20 top borrowers represented 14% of the gross loan portfolio (31 December 2020: loans in the total of UAH 8,270,265 thousand issued to the Bank’s 20 top borrowers represented 19% of the gross loan portfolio).

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

Concentration of loans to customers (continued)

The loans and advances to customers of the Bank by economic sectors, the credit risk of which has an impact on the credit quality, are as follows:

	2021	**2020**
Individuals	21,987,109	16,558,693
Trade and agency services	12,304,637	8,294,857
Food processing industry and agriculture	8,659,874	5,926,189
Construction and real estate	2,740,127	1,244,517
Engineering	2,634,966	2,728,667
Transport, communication services, and infrastructure	2,589,358	1,973,725
Mining and energy	2,237,524	2,663,172
Metallurgy	1,946,455	653,523
Chemical industry	908,016	423,475
Non-banking financial institutions	853,364	944,513
Woodworking	556,679	513,212
Other	990,917	1,107,560
Total loans and advances to customers, before allowance for expected credit losses	**58,409,026**	**43,032,103**

The Bank’s lending activities are conducted in Ukraine. The ability of borrowers to repay their debt is dependent on several factors, including the overall financial health of the borrower and the situation in the Ukrainian economy.

The financial effect of collateral is presented by disclosing collateral values separately for:

- Those financial assets where collateral and other credit enhancements are equal to, or exceed, the carrying amount of the asset (“over-collateralized assets”);
- Those financial assets where collateral and other credit enhancements are less than the carrying amount of the asset (“under-collateralized assets”).

The effect of collateral as at 31 December 2021 was as follows:

	Over-collateralized assets		**Under-collateralized assets**	
	Carrying amounts of assets, net of allowance	**Fair value of collateral**	**Carrying amounts of assets, net of allowance**	**Fair value of collateral**
Corporate loans	16,894,899	30,137,305	15,178,037	8,550,868
Finance leases	1,440,289	2,488,107	10,413	6,238
Consumer loans	328	3,739	8,144,147	451
Credit cards and overdrafts	650	4,405	11,358,550	–
Mortgage loans	38,326	187,818	21,154	28,437
Car loans	–	444	–	–
Total	**18,374,492**	**32,821,818**	**34,712,301**	**8,585,994**

As at 31 December 2021, the effect of collateral on loans to customers included the value of collateral in the form of commodities in circulation and goods taken into storage and amounted to UAH 2,769,022 thousand for the over-collateralized assets and UAH 289,347 thousand for the under-collateralized assets (31 December 2020: UAH 3,919,179 thousand for the over-collateralized assets and UAH 253,950 thousand for the under-collateralized assets).

(In Ukrainian Hryvnias and in thousands)

9. Loans and advances to customers (continued)

The effect of collateral as at 31 December 2020 was as follows:

	Over-collateralized assets		Under-collateralized assets	
	Carrying amounts of assets, net of allowance	Fair value of collateral	Carrying amounts of assets, net of allowance	Fair value of collateral
Corporate loans	14,356,315	25,727,024	7,772,260	4,467,275
Finance leases	1,069,229	1,689,012	13,326	11,247
Consumer loans	557	4,094	6,459,737	467
Credit cards and overdrafts	718	7,735	7,845,781	–
Mortgage loans	28,350	210,547	26,935	37,111
Car loans	–	813	–	–
Total	**15,455,169**	**27,639,225**	**22,118,039**	**4,516,100**

As at 31 December 2021, the net book value of collateralized loans to customers that were credit-impaired (Stage 3 and POCI) amounted to UAH 1,376,462 thousand (31 December 2020: UAH 2,013,775 thousand), and the corresponding collateral received for the purpose of reducing potential losses under those loans amounted to UAH 2,193,834 thousand (31 December 2020: UAH 2,658,342 thousand).

The analysis of finance leases receivable was as follows:

	2021	2020
Up to 1 year	885,911	626,724
From 1 to 2 years	592,716	415,964
From 2 to 3 years	254,789	279,935
From 3 to 4 years	43,636	121,514
From 4 to 5 years	18,118	17,076
Total gross investments in finance leases	**1,795,170**	**1,461,213**
Unearned future finance income on finance leases	(334,845)	(370,402)
Net investments in finance leases	**1,460,325**	**1,090,811**
Current investments in finance leases	72,390	110,226
Non-current investments in finance leases	1,387,935	980,585
Net investments in finance leases	**1,460,325**	**1,090,811**

(In Ukrainian Hryvnias and in thousands)

10. Property, plant and equipment, investment property, and intangible assets other than goodwill

	Buildings	Lease-hold improve-ments	Works of art	Computers and other equipment	Capital investments in property and equipment	Total property and equipment	Intangible assets other than goodwill	Total
Cost or revalued amounts as at 31 December 2019	**1,143,275**	**197,111**	**17,005**	**1,262,548**	**34,109**	**2,654,048**	**789,897**	**3,443,945**
Accumulated depreciation/ amortization	(322,641)	(83,624)	–	(663,792)	–	**(1,070,057)**	(510,256)	**(1,580,313)**
Carrying amounts as at 31 December 2019	**820,634**	**113,487**	**17,005**	**598,756**	**34,109**	**1,583,991**	**279,641**	**1,863,632**
Additions	5,774	41,450	–	256,449	23,039	**326,712**	158,232	**484,944**
Disposals/write-offs	–	(11)	–	(610)	(191)	**(812)**	(1,320)	**(2,132)**
Transfers to another category	166	14,228	–	19,524	(33,918)	**–**	–	**–**
Transfers from investment property	2,938	–	–	–	–	**2,938**	–	**2,938**
Depreciation and amortization charges	(23,005)	(36,002)	–	(206,671)	–	**(265,678)**	(172,220)	**(437,898)**
Carrying amounts as at 31 December 2020	**806,507**	**133,152**	**17,005**	**667,448**	**23,039**	**1,647,151**	**264,333**	**1,911,484**
Cost or revalued amounts as at 31 December 2020	**1,152,766**	**252,114**	**17,005**	**1,509,785**	**23,039**	**2,954,709**	**840,446**	**3,795,155**
Accumulated depreciation/ amortization	(346,259)	(118,962)	–	(842,337)	–	**(1,307,558)**	(576,113)	**(1,883,671)**
Carrying amounts as at 31 December 2020	**806,507**	**133,152**	**17,005**	**667,448**	**23,039**	**1,647,151**	**264,333**	**1,911,484**
Additions	16,613	28,711	115	321,900	1,146	**368,485**	184,016	**552,501**
Disposals/write-offs	(7,257)	(41)	–	(582)	–	**(7,880)**	(555)	**(8,435)**
Transfers to another category	388	3,641	–	15,758	(19,787)	**–**	–	**–**
Transfers from investment property	4,830	–	–	–	–	**4,830**	–	**4,830**
Depreciation and amortization charges	(23,314)	(39,992)	–	(251,112)	–	**(314,418)**	(191,948)	**(506,366)**
Carrying amounts as at 31 December 2021	**797,767**	**125,471**	**17,120**	**753,412**	**4,398**	**1,698,168**	**255,846**	**1,954,014**
Cost or revalued amounts as at 31 December 2021	**1,164,527**	**283,933**	**17,120**	**1,793,059**	**4,398**	**3,263,037**	**948,150**	**4,211,187**
Accumulated depreciation/ amortization	(366,760)	(158,462)	–	(1,039,647)	–	**(1,564,869)**	(692,304)	**(2,257,173)**
Carrying amounts as at 31 December 2021	**797,767**	**125,471**	**17,120**	**753,412**	**4,398**	**1,698,168**	**255,846**	**1,954,014**

(In Ukrainian Hryvnias and in thousands)

10. Property, plant and equipment, investment property, and intangible assets other than goodwill (continued)

As at 31 December 2021, property, plant and equipment and intangible assets included assets at historical or revalued amounts in the amount of UAH 621,090 thousand (31 December 2020: UAH 420,502 thousand) that were fully depreciated and amortized. The Bank continues using those assets.

As at 1 December 2021, an independent valuation of the Bank's own buildings was carried out, the results of which led the Bank to conclude that the fair value of buildings did not differ significantly from their carrying amounts. When performing the valuation, certain judgments and estimates were applied by the appraiser in determination of the comparable buildings to be used in the sales comparison approach, the useful lives of the assets revalued, the capitalization rate to be applied for the income approach.

As at 31 December 2021, the carrying value of buildings and works of art would have amounted to UAH 331,160 thousand (31 December 2020: UAH 327,955 thousand), had those assets been measured using the cost model. The amount reconciled with the carrying amounts of buildings was as follows:

	2021	**2020**
Buildings at revalued amounts in the statement of financial position	797,767	806,507
Revaluation surplus for buildings presented in equity, before tax	(469,533)	(481,363)
Buildings at cost, less accumulated depreciation and impairment	**328,234**	**325,144**
Works of art at revalued amounts in the statement of financial position	17,120	17,005
Revaluation surplus for works of art presented in equity, before tax	(14,194)	(14,194)
Works of art at cost, less accumulated depreciation and impairment	**2,926**	**2,811**
Total buildings and works of art	**331,160**	**327,955**

Changes in the carrying amount of investment property were as follows:

	2021	**2020**
Fair value of investment property at the beginning of the period	**71,330**	**94,309**
Sales	(6,074)	(18,874)
Transfers to the category of owner-occupied buildings	(4,830)	(2,938)
Gains on revaluation at fair value	2,827	770
Losses on revaluation at fair value	(1,154)	(1,937)
Fair value of investment property at the end of the period	**62,099**	**71,330**

The rental income received from investment property for the year ended 31 December 2021 amounted to UAH 7,760 thousand (2020: UAH 7,263 thousand) (Note 23). Operating expense and expenses on maintenance of investment property for the year ended 31 December 2021 amounted to UAH 4,038 thousand (2020: UAH 2,864 thousand).

11. Right-of-use assets

Movements in the right-of-use assets for the year ended 31 December 2021 were as follows:

	Buildings and premises
Carrying amounts as at 1 January 2021	**294,432**
Additions	15,782
Reassessment of cash flows and lease terms and lease modifications	190,152
Disposals	(282)
Depreciation	(155,967)
Carrying amounts as at 31 December 2021	**344,117**

(In Ukrainian Hryvnias and in thousands)

11. Right-of-use assets (continued)

Movements in the right-of-use assets for the year ended 31 December 2020 were as follows:

	Buildings and premises
Carrying amounts as at 1 January 2020	**264,713**
Additions	24,676
Reassessment of cash flows and lease terms and lease modifications	154,055
Disposals	(474)
Depreciation	(148,538)
Carrying amounts as at 31 December 2020	**294,432**

During the years ended 31 December 2021 and 2020, there were no expenses under short-term leases in respect of which the simplification for recognition under IFRS 16 was applied. Expenses for the year ended 31 December 2021 relating to the low-value leases to which the exemption for recognition was applied amounted to UAH 6,421 thousand (2020: UAH 6,076 thousand). During the years ended 31 December 2021 and 2020, there were no expenses relating to variable lease payments not included in the estimate of lease liabilities.

12. Other financial and non-financial assets

The balances of other financial assets were as follows:

	2021	2020
Other financial assets		
Settlements on card transactions	699,248	321,910
Receivables on transfers and payments	608,888	135,144
Foreign currency purchases	183,787	34,052
Accrued income and settlements	43,011	45,946
Settlements on cooperation agreements	19,343	21,375
Other financial assets	96,186	45,213
Allowance for impairment	(24,906)	(27,117)
Total other financial assets	**1,625,557**	**576,523**

The increase on transfers and payments took place at the cost accounts receivable on letters of credit.

The balances of other non-financial assets were as follows:

	2021	2020
Other non-financial assets		
Repossessed property	107,863	161,702
Prepayments for property, plant and equipment and intangible assets	64,899	31,137
Prepaid expenses, including insurance of assets	64,473	48,250
Other taxes prepaid	29,408	96,681
Prepayments for services	16,322	9,013
Precious metals	225	244
Other non-financial assets	4,530	5,451
Allowance for impairment	(6,337)	(3,127)
Total other non-financial assets	**281,383**	**349,351**

(In Ukrainian Hryvnias and in thousands)

12. Other financial and non-financial assets (continued)

Movements in the allowance for impairment of other financial assets were as follows:

	2021	2020
Allowance for impairment as at 1 January	**27,117**	**48,418**
Charges to allowance for impairment	11,292	13,828
Use of allowance	811	(37,197)
Recovery of allowance	(13,533)	3
Effect of changes in exchange rates	(781)	2,065
As at the end of the period	**24,906**	**27,117**

Movements in the allowance for impairment of other non-financial assets were as follows:

	2021	2020
Allowance for impairment as at 1 January	**3,127**	**3,328**
Charges to allowance for impairment	3,221	(203)
Use of allowance	–	(47)
Recovery of allowance	(11)	49
As at the end of the period	**6,337**	**3,127**

13. Due to the Central Bank

During the year ended 31 December 2020, the Bank received from the National Bank of Ukraine three tranches of the loan in the total amount of UAH 4,200,000 thousand. In September 2021, the Bank received an additional tranche in the amount of UAH 1,500,000 thousand. As at 31 December 2021, the interest rate under tranches was in the range from 9% to 10.5% per annum (31 December 2020: the interest rate under tranches amounted to 6% per annum) which had maturities in the range from 6 September 2024 to 5 December 2025 (31 December 2020: from 4 July 2025 to 5 December 2025). As at 31 December 2021, the carrying value amounted to UAH 5,693,029 thousand (31 December 2020: UAH 4,200,554 thousand). The loan was secured by government debt securities with the fair value of UAH 7,301,729 thousand as at 31 December 2021 (31 December 2020: UAH 5,073,742 thousand) (Note 29).

14. Due to others banks

	2021	2020
Current accounts of other banks		
- Domestic	580,855	690,658
Total current accounts of other banks	**580,855**	**690,658**
Term deposits of other banks		
- Domestic	864,342	438,185
- Non-OECD countries	–	2,743
Total term deposits of other banks	**864,342**	**440,928**
Borrowings from other banks		
- Domestic	–	225,068
Total borrowings from other banks	**–**	**225,068**
Total due to others banks	**1,445,197**	**1,356,654**

As at 31 December 2021, the funds placed by 10 largest banks in the amount of UAH 1,148,780 thousand made up 79% of total amounts due to other banks (31 December 2020: UAH 1,078,044 thousand, 79% of total amounts due to other banks).

(In Ukrainian Hryvnias and in thousands)

15. Customer accounts

	2021	2020
Legal entities		
- Current accounts	34,277,659	22,338,887
- Term deposits and saving accounts	11,357,104	7,879,962
Individuals		
- Current accounts	12,880,831	9,299,981
- Term deposits and saving accounts	22,401,540	17,996,432
Total customer accounts	**80,917,134**	**57,515,262**

As at 31 December 2021, the deposits of 10 top customers placed with the Bank in the amount of UAH 4,124,444 thousand made up 5% of customer accounts (31 December 2020: UAH 3,254,539 thousand made up 6%).

As at 31 December 2021, included in customer accounts were deposits in the amount of UAH 414,720 thousand and UAH 255,659 thousand (31 December 2020: UAH 463,251 thousand and UAH 235,545 thousand) which represented collateral for loans and advances to customers (Note 9) and commitments related to loans and advances, respectively. In addition, the amount of UAH 1,329,957 thousand (31 December 2020: UAH 867,261 thousand) was held as collateral under import letters of credit, guarantees, and promissory notes endorsements (Note 28).

The customer accounts by economic sectors were as follows:

	2021	2020
Individuals	35,282,371	27,296,413
Trade and agency services	12,407,582	6,778,449
Mining and energy	7,612,109	4,338,386
Transport, communication services, and infrastructure	6,278,995	5,827,387
Construction and real estate	4,206,947	2,658,325
Metallurgy	2,798,934	1,912,556
Non-banking financial institutions	2,162,412	1,300,135
Engineering	2,138,668	1,703,653
Food processing industry and agriculture	1,988,762	1,233,151
Chemical industry	452,508	421,583
Woodworking	150,172	94,932
Other	5,437,674	3,950,292
Total customer accounts	**80,917,134**	**57,515,262**

16. Lease liabilities

Movements in lease liabilities for the year ended 31 December 2021 were as follows:

	Buildings and premises
Carrying amounts as at 1 January 2021	**328,639**
Additions	15,782
Reassessment of cash flows and lease terms and lease modifications	190,152
Disposals	(308)
Interest expense	40,372
Lease payments made	(194,669)
Carrying amounts as at 31 December 2021	**379,968**

(In Ukrainian Hryvnias and in thousands)

16. Lease liabilities (continued)

Movements in lease liabilities for the year ended 31 December 2020 were as follows:

	Buildings and premises
Carrying amounts as at 1 January 2020	**294,619**
Additions	24,676
Reassessment of cash flows and lease terms and lease modifications	154,055
Disposals	(536)
Interest expense	38,516
Lease payments made	(182,691)
Carrying amounts as at 31 December 2020	**328,639**

Undiscounted lease payments under leases of buildings and premises were as follows:

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
2021	**15,515**	**31,031**	**46,546**	**93,092**	**268,236**	**454,420**
2020	**14,659**	**29,318**	**43,977**	**87,953**	**204,631**	**380,538**

17. Other financial and non-financial liabilities

The balances of other financial liabilities were as follows:

	2021	2020
Other financial liabilities		
Settlements related to customer accounts	1,212,068	536,884
Accounts payable on operations with plastic cards	979,818	527,083
Allowance for commitments, guarantees, and letters of credit (Note 28)	271,716	277,648
Deferred income on credit lines	–	277
Total other financial liabilities	**2,463,602**	**1,341,892**

The balances of other non-financial liabilities were as follows:

	2021	2020
Other non-financial liabilities		
Amounts payable to employees	648,505	408,200
Deferred income	107,713	60,011
Accounts payable on services	82,172	71,097
Contributions to the Individual Deposit Guarantee Fund	52,823	43,800
Other taxes payable	28,653	90,276
Allowance for other losses (Note 28)	2,479	3,722
Other non-financial liabilities	208	1,017
Total other non-financial liabilities	**922,553**	**678,123**

(In Ukrainian Hryvnias and in thousands)

18. Derivative financial assets and liabilities

The table below presents the fair values of derivative financial instruments recorded as assets or liabilities.

As at 31 December 2021, the Bank had the following contracts:

	Notional amount at fair value of assets receivable	Notional amount at fair value of liabilities payable	Positive fair value of assets	Negative fair value of liabilities
Forward currency contracts				
Placement of UAH/attraction of USD	85,982	(87,119)	481	(1,618)
Attraction of UAH/placement of USD	2,590	(6,586)	2,590	(6,586)
Total forward currency contracts	**88,572**	**(93,705)**	**3,071**	**(8,204)**
Interest-bearing forward contracts on securities				
Interest rate swap	7,743	–	7,743	–
Total interest-bearing forward contracts on securities	**7,743**	**–**	**7,743**	**–**

As at 31 December 2020, the Bank had the following contracts:

	Notional amount at fair value of assets receivable	Notional amount at fair value of liabilities payable	Positive fair value of assets	Negative fair value of liabilities
Forward currency contracts				
Placement of UAH/attraction of USD	261,278	(262,385)	2,629	(3,736)
Placement of UAH/attraction of EUR	–	(21,928)	–	(21,928)
Attraction of UAH/placement of USD	686	–	686	–
Attraction of USD/placement of EUR	370	–	370	–
Total forward currency contracts	**262,334**	**(284,313)**	**3,685**	**(25,664)**
Forward contracts on securities				
For sale of securities	69,794	(70,421)	–	(627)
Total forward contracts on securities	**69,794**	**(70,421)**	**–**	**(627)**
Interest-bearing forward contracts on securities				
Interest rate swap	5,807	–	5,807	–
Total interest-bearing forward contracts on securities	**5,807**	**–**	**5,807**	**–**

(In Ukrainian Hryvnias and in thousands)

19. Share capital and reserves

As at 31 December 2021 and 2020, the approved and authorized share capital of the Bank comprised 14,323,880 ordinary shares with the nominal value of UAH 333.75 per share. All shares have equal voting rights. As at 31 December 2021, all shares were fully paid and registered.

On 22 March 2021, the General Shareholders’ Meeting of the Bank decided to distribute retained earnings in the amount of UAH 1,304,047 thousand to the Bank’s statutory reserve and distribute the amount of UAH 1,304,046 thousand for the payment of dividends.

Nature and purpose of reserves

Revaluation surplus

Revaluation surplus is used to reflect the increase in the fair value of buildings and works of art, as well as its decrease, but to the extent this reduction relates to increasing the value of the same asset previously recognized in equity.

Reserve for profit or loss on the financial assets measured at fair value through other comprehensive income

The reserve reflects changes in the fair value of investments in securities measured at fair value through other comprehensive income.

Statutory reserve of the Bank

The Bank’s statutory reserve is created under the Charter and the legislation of Ukraine in order to reach 25 percent of regulatory capital at the beginning of each year. The amount of deductions to the statutory reserve should be no less than 5 percent of the Bank’s annual income. The statutory reserve is created to cover general banking risks, including future losses and other unforeseen losses by all items of assets and off-balance sheet liabilities.

20. Segment analysis

The information on main banking segments of the Bank as at 31 December 2021 was as follows:

2021	Corporate Banking	Retail Banking	Non-Performing Loans Manage-ment	Investment Banking	Unallocated Items	Total
Segment assets	**34,388,959**	**22,031,211**	**103,850**	**42,569,221**	**5,555,583**	**104,648,824**
Including						
Loans to customers, net	33,514,844	19,560,738	11,211	–	–	**53,086,793**
− Loans to customers, gross	36,374,934	21,958,319	75,773	–	–	**58,409,026**
− Allowance	(2,860,090)	(2,397,581)	(64,562)	–	–	**(5,322,233)**
Other financial statement items	874,115	2,470,473	92,639	42,569,221	5,555,583	**51,562,031**
Segment liabilities	**51,666,777**	**36,938,667**	**8,421**	**592,149**	**2,881,517**	**92,087,531**
Including						
Customer accounts	45,634,763	35,282,371	–	–	–	**80,917,134**
Other financial statement items	6,032,014	1,656,296	8,421	592,149	2,881,517	**11,170,397**

(In Ukrainian Hryvnias and in thousands)

20. Segment analysis (continued)

The information on profit and loss of reportable operating segments of the Bank for the year ended 31 December 2021 was as follows:

2021	Corporate Banking	Retail Banking	Non-Performing Loans Manage-ment	Investment Banking	Unallocated Items	Total
Interest income	3,201,970	6,718,250	528	1,913,218	131	**11,834,097**
Interest expense	(1,483,533)	(1,034,164)	−	(43,706)	(41,803)	**(2,603,206)**
Transfers	384,512	65,774	(12,734)	(1,773,689)	1,336,137	**−**
Net interest income	**2,102,949**	**5,749,860**	**(12,206)**	**95,823**	**1,294,465**	**9,230,891**
Net commission income	653,917	324,541	273,449	133,517	661,138	**2,046,562**
Trading income	67,019	68,297	−	169,449	−	**304,765**
Depreciation and amortization	(104,820)	(315,210)	(11,689)	(6,708)	(67,939)	**(506,366)**
(Operating expense) and other income/(expense)	(1,075,831)	(2,971,881)	(232,822)	(76,336)	(842,226)	**(5,199,096)**
Allowances	326,048	(1,091,789)	13,757	(3,121)	(10,379)	**(765,484)**
Segment result	**1,969,282**	**1,763,818**	**30,489**	**312,624**	**1,035,059**	**5,111,272**
Income tax expense	(355,877)	(318,747)	(5,510)	(56,496)	(187,050)	**(923,680)**
Net profit for the period	**1,613,405**	**1,445,071**	**24,979**	**256,128**	**848,009**	**4,187,592**

The information on main banking segments of the Bank as at 31 December 2020 was as follows:

2020	Corporate Banking	Retail Banking	Non-Performing Loans Manage-ment	Investment Banking	Unallocated Items	Total
Segment assets	**23,565,807**	**15,668,520**	**151,033**	**30,714,200**	**5,164,394**	**75,263,954**
Including						
Loans to customers, net	23,202,873	14,359,471	10,864	−	−	**37,573,208**
− Loans to customers, gross	26,393,486	16,524,417	114,200	−	−	**43,032,103**
− Allowance	(3,190,613)	(2,164,946)	(103,336)	−	−	**(5,458,895)**
Other financial statement items	362,934	1,309,049	140,169	30,714,200	5,164,394	**37,690,746**
Segment liabilities	**34,727,655**	**27,992,167**	**9,397**	**943,969**	**1,906,755**	**65,579,943**
Including						
Customer accounts	30,218,849	27,296,413	−	−	−	**57,515,262**
Other financial statement items	4,508,806	695,754	9,397	943,969	1,906,755	**8,064,681**

(In Ukrainian Hryvnias and in thousands)

20. Segment analysis (continued)

The information on profit and loss of reportable operating segments of the Bank for the year ended 31 December 2020 was as follows:

2020	Corporate Banking	Retail Banking	Non-Performing Loans Manage-ment	Investment Banking	Unallocated Items	Total
Interest income	2,790,830	5,056,620	977	1,407,342	(20,005)	**9,235,764**
Interest expense	(1,033,350)	(1,293,235)	–	(22,102)	(40,380)	**(2,389,067)**
Transfers	(139,731)	209,582	(25,367)	(1,312,684)	1,268,200	**–**
Net interest income	**1,617,749**	**3,972,967**	**(24,390)**	**72,556**	**1,207,815**	**6,846,697**
Net commission income	383,200	431,270	255,810	102,232	503,540	**1,676,052**
Trading income	60,948	74,435	–	141,209	–	**276,592**
Depreciation and amortization	(78,891)	(289,814)	(8,659)	(5,287)	(55,247)	**(437,898)**
(Operating expense) and other income/(expense)	(815,554)	(2,395,188)	(243,758)	(60,807)	(567,563)	**(4,082,870)**
Allowances	(59,012)	(943,664)	15,491	(1,139)	(124,965)	**(1,113,289)**
Segment result	**1,108,440**	**850,006**	**(5,506)**	**248,764**	**963,580**	**3,165,284**
Income tax expense	(195,121)	(149,628)	969	(43,790)	(169,621)	**(557,191)**
Net profit for the period	**913,319**	**700,378**	**(4,537)**	**204,974**	**793,959**	**2,608,093**

The respective operating segments were formed according to the Bank's approved business development and management strategies.

The information concerns the services rendered with segments and is provided to the Bank's management responsible for operating decision making for the purpose of resources allocation and segment performance assessment

For the purpose of internal management reporting, transactions of the Bank are split into the following segments:

Corporate Banking: This business segment includes servicing current accounts of individual entrepreneurs and legal entities, attracting deposits, granting credit lines in the form of overdrafts, servicing card accounts, granting loans and other types of finance, as well as foreign exchange and trade finance transactions. Corporate Banking segment includes the borrowings received from the National Bank of Ukraine, as well as related expenses.

Corporate Banking segment consists of the following sub-segments: LCC (large corporate customers with the annual turnover of no less than UAH 1,000,000 thousand or the Bank's insiders according to the NBU's requirements), MCC (medium-sized corporate customers with the annual turnover from UAH 125,000 to UAH 1,000,000 thousand or the limit of asset transactions per client no less than UAH 25,000 thousand), SCC (small and micro corporate customers with the annual turnover up to UAH 125,000 thousand or the limit of asset transactions per client no more than UAH 25,000 thousand), SC (state-owned companies with the share of government or municipal ownership of no less than 10% of the charter capital).

Retail Banking: Rendering banking services to individuals. This segment includes the same types of banking services as the segment of Corporate Banking, as well as the services of opening and maintaining accounts of individuals, including the accounts for personal use, current and saving accounts, attracting deposits, servicing credit and debt cards under payroll projects, granting mortgage and car loans, and targeted lending in distribution networks.

Non-Performing Loans Management: This business segment includes the workout on corporate, retail loans and securities that have the following evidence of impairment:

- Individual assessments of impairment;
- Delays in payments (from 180 days on the principal amount for retail and 30 days of delay for corporate customers);

(In Ukrainian Hryvnias and in thousands)

20. Segment analysis (continued)

- Other evidence of impairment according to the internal assessments by management.

This business segment renders the services of restructuring and past-due debt collection.

Investment Banking: Investment banking activities. This business segment includes trading in financial instruments, transactions in the inter-bank market, transaction in the capital markets, transactions with securities, foreign exchange, and banknotes for the purpose of income gaining.

Unallocated Items: This segment covers Asset and Liability Management Center (is a main regulator of transfer pricing in the Bank and includes the transactions aimed at liquidity support of the Bank's activities), Head Office (the segment includes property, plant and equipment, corporate rights, deferred tax assets, advances, and receivables related to administrative and business activities of the Bank), and Processing Center (the segment includes information and technical support to payment cards settlements).

Capital investments are not included into the segment information reviewed by the Management Board. Capital investments represent additions to non-current assets, other than financial instruments, deferred tax assets, post-employment benefit schemes, and rights arising under insurance contracts.

Revenues for each individual country are not reported to the chief operating decision maker as they are mainly represented by revenues from Ukraine, including revenues from offshore companies of domestic customers, based on the domicile of a customer. Revenues from other countries do not exceed 10% of total revenues of the Bank. Revenues include interest and commission income.

The Bank has no customers that account for 10% or more of the total revenues.

21. Interest income and expense

	2021	**2020**
Interest revenue calculated using effective interest method		
Loans to customers	9,745,390	7,654,045
Securities measured at fair value through other comprehensive income and deposit certificates classified as cash and cash equivalents	1,846,840	1,368,202
Due from banks	50,858	23,612
	11,643,088	**9,045,859**
Other interest income		
Finance leases to corporate customers	181,278	186,835
Securities measured at fair value through profit or loss	9,731	3,070
Total interest income	**11,834,097**	**9,235,764**
Interest expense		
Term deposits and saving accounts	(1,389,511)	(1,713,194)
Current accounts	(773,965)	(542,138)
Due to the National Bank of Ukraine	(354,226)	(71,242)
Due to others banks	(45,130)	(23,965)
Lease liabilities	(40,372)	(38,516)
Deposit certificates issued	(2)	(12)
Total interest expense	**(2,603,206)**	**(2,389,067)**
Net interest income	**9,230,891**	**6,846,697**

The information on interest income and expense on related party transactions is disclosed in Note 30.

(In Ukrainian Hryvnias and in thousands)

22. Commission income and expense

	2021	2020
Payment cards	1,433,175	949,358
Settlement transactions with customers	527,348	456,062
Servicing loans, including under cooperation agreements	401,347	464,582
Cash operations	320,020	216,692
Conversion operations	289,162	223,910
Documentary operations	162,347	80,481
Fiduciary activities	6,588	5,853
Other	26,442	21,338
Commission income	**3,166,429**	**2,418,276**
Payment cards	(826,749)	(558,972)
Agency agreements	(157,130)	(88,880)
Settlement transactions	(67,153)	(39,786)
Purchase and collection of cash	(32,907)	(31,265)
Documentary operations	(28,921)	(16,588)
Servicing loans	(5,002)	(5,210)
Fiduciary activities	(1,735)	(1,284)
Other	(270)	(239)
Commission expense	**(1,119,867)**	**(742,224)**
Net commission income	**2,046,562**	**1,676,052**

The information on commission income and expense on related party transactions is disclosed in Note 30.

23. Other gains (losses)

	2021	2020
Income on disposal of property, plant and equipment	18,683	13,097
Other rental income	18,241	16,950
Penalties received	12,159	36,847
Dividends received	11,036	10,052
Rental income on investment properties (Note 10)	7,760	7,263
Income on sales of commemorative coins	3,861	3,145
Payables written off to income	2,469	595
Income on insurance consideration received	1,087	35,011
Result on modification of leases	26	62
Other income	6,805	12,489
Result on modifications of financial assets that does not lead to de-recognition	(8,085)	(27,883)
Total other gains (losses)	**74,042**	**107,628**

(In Ukrainian Hryvnias and in thousands)

24. Operating expense

	2021	2020
Payroll, employee benefits, and mandatory contributions to the state funds	3,455,708	2,783,346
Depreciation and amortization (Note 10)	506,366	437,898
Audit and consulting services	309,518	171,140
Advertising and entertainment expenses	255,157	106,605
Maintenance of buildings and equipment	241,206	216,752
Contributions to the Individual Deposit Guarantee Fund	205,743	160,775
Communication services	166,424	127,429
Depreciation of right-of-use assets (Note 11)	155,967	148,538
Rent of premises	98,065	79,292
Expenses related to the workout on repayment of loans	85,294	97,265
Security services	41,612	40,880
State duties and taxes, other than income taxes	22,610	23,136
Staff training	19,457	13,382
Decrease in value of the Bank's properties	2,703	8,809
Other	215,459	239,694
Total operating expense	**5,781,289**	**4,654,941**

Included in payroll, employee benefits, and mandatory contributions to the state funds was the unified social tax in the amount of UAH 512,059 thousand (2020: UAH 413,410 thousand).

Included in rent of premises were the expenses related to low-value leases in respect of which the exemption for recognition under IFRS 16 was applied for the year ended 31 December 2021 in the amount of UAH 6,421 thousand (2020: UAH 6,076 thousand) (Note 11).

25. Income taxes

The income tax expense comprised the following:

	2021	2020
Current tax expense	933,287	587,727
Deferred tax expense	(9,607)	(30,536)
Income tax expense for the reporting period	**923,680**	**557,191**

The Bank's income received in the year ended 31 December 2021 was taxable at the rate of 18% (2020: 18%). The reconciliation of expected and actual tax expense is provided below:

	2021	2020
Profit before income tax	**5,111,272**	**3,165,284**
Theoretical tax expense at the applicable statutory tax rate	920,029	569,751
- Non-taxable income and other income exempt from taxation	(1,924)	(12,973)
- Non-deductible expenses	6,133	413
- Expenses deductible only for tax purposes	(558)	–
Income tax expense for the reporting period	**923,680**	**557,191**

The differences between the national and IFRS taxation result in specific temporary differences arising between the carrying amounts of some assets and liabilities for the purposes of financial reporting and their tax bases. The tax effect of changes in such temporary differences shall be accounted for at the income tax rates expected to be applied in the period when such differences are realized.

(In Ukrainian Hryvnias and in thousands)

25. Income taxes (continued)

As at 31 December 2021 and 2020, deferred tax assets and liabilities and their movements for the respective years were as follows:

	31 December 2020	Credited/ (charged) to other comprehensive income	Credited/ (charged) to profit or loss	31 December 2021
Tax effect of deductible and taxable temporary differences				
Expected credit losses on loan commitments	50,647	−	(1,292)	49,355
Securities measured at fair value through other comprehensive income	(28,731)	1,375	−	(27,356)
Property, plant and equipment and investment property	(19,698)	−	10,899	(8,799)
Estimated net deferred tax assets	**2,218**	**1,375**	**9,607**	**13,200**
Deferred tax assets	**2,218**	**1,375**	**9,607**	**13,200**

	31 December 2019	Credited/ (charged) to other comprehensive income	Credited/ (charged) to profit or loss	31 December 2020
Tax effect of deductible and taxable temporary differences				
Expected credit losses on loan commitments	23,807	−	26,840	50,647
Securities measured at fair value through other comprehensive income	(26,846)	(1,885)	−	(28,731)
Property, plant and equipment and investment property	(23,394)	−	3,696	(19,698)
Estimated net deferred tax assets/(liabilities)	**(26,433)**	**(1,885)**	**30,536**	**2,218**
Deferred tax assets	**(26,433)**	**(1,885)**	**30,536**	**2,218**

26. Risk management

Introduction

Risk is inherent to banking and is managed through the process of ongoing identification, measurement, and control of risks, subject to risk limits and other controls. The process of risk management is critical to the Bank’s continuing profitability, and each employee within the Bank is accountable for the risk exposures relating to his or her duties. The Bank is exposed to credit risk, liquidity risk, and market risk, the latter being subdivided into trading and non-trading risks. The bank is also exposed to operating, including information and legal risks, as well as compliance risks.

The independent risk control process does not include business risks, such as changes in the operating environment, technology, and industry. Those risks are monitored by the Bank’s strategic planning process.

Risk Management Process

The risk management policies, monitoring, and control are conducted by a range of specialized bodies and units within the Bank. The unit most actively involves in such management is the Risk Management Division of the Bank subordinated to the Deputy Chairperson of the Management Board on Risks (the “CRO”) who has a role the Chief Risk Manager in the Bank.

26. Risk management (continued)

Introduction (continued)

The risk management units of the Bank are reporting and subordinated to the CRO of the Bank as the risk management system participants.

Supervisory Board of the Bank

The Bank's Supervisory Board has the greatest authority over the Bank's risk management and is responsible for establishing the effective risk management system within the Bank (strategic level). In accordance with the Bank's Charter and Regulations on the Credit Control and the Credit Committee, the Supervisory Board is authorized to approve:

- Decisions on granting consents (upon submission of the management Board and the Credit Council) to perform a significant legal act, if the market value of the property or services, being the subject matter, ranges from 10% to 25% of the assets value based on the latest annual financial statements of the Bank;
- Decisions on performing legal actions with interest in the cases stipulated by the Charter and the legislation;
- Decisions on granting loans, extending the limit terms for related parties of the Bank, which exceed 1% of the regulatory capital of the Bank (upon submission of the Credit Council);
- Decisions on settling potentially non-performing assets of the Bank's related parties, the amount of which exceeds 1% of the regulatory capital of the Bank for individuals and 3% for legal entities (upon submission of the Credit Council).

Management Board of the Bank

The Management Board of the Bank is generally responsible for the activities of the Bank, including those relating to risk management. The Management Board of the Bank delegates its powers with respect to credit risk – to the credit bodies of the Bank (the Credit Council and the Credit Committee), as to the overall asset and liability management – to the Assets and Liabilities Management Committee of the Bank, authorities on operating risk management – to the Operating Risk Management Committee of the Bank, and approves the composition of those Committees. In addition, the Management Board of the Bank is responsible for development and preliminary approval of the Bank's credit policies. The final approval of credit policies is within the competence of the Supervisory Board.

Decisions of the Bank's Credit Council on the possibility to carry out assets operations with borrowers in the amount of 10& or more of the regulatory capital of the Bank shall be approved by the Management Board of the Bank. In addition, the Management Board establishes UAH 50 million per customer as a limit for the powers of the Credit Council when lending to individuals.

Credit Council of the Bank

The Credit Council of the Bank is subordinated to the Management Board of the Bank and functions within the delegated powers under the Regulations on the Credit Council and the Credit Committee of the Bank. The Credit Council consists of five persons appointed by the Management Board of the Bank upon consultation with the Supervisory Board. Experts with the right of advisory vote appointed by the Supervisory Board of the Bank may also take part in the Credit Council meetings. The Credit Council may consider any lending projects (including the right to approve which it delegated to the Credit Committee), except for the powers being the competence of the Supervisory Board/Management Board.

The Bank's Credit Council also approves credit product standards for corporate customers and sets limits for interbank transactions. The Bank's Credit Council meets twice a week.

Credit Committee of the Bank

The Bank's Credit Committee is accountable to the credit Council and considers lending projects (credit risk limit per counterparty/group of related counterparties):

(a) Up to UAH 120 million – lending to legal entities,
(b) Up to UAH 5 million – lending to individuals,

and performs other functions delegated by the Credit Council in accordance with the Regulations on the Credit Council and the Credit Committee of the Bank and the minutes of the Credit Council dealing with the delegation of powers. Meetings of the Committee are held several times in a week, as required.

26. Risk management (continued)

Introduction (continued)

Assets and Liabilities Management Committee of the Bank

The Assets and Liabilities Management Committee of the Bank is responsible for managing the Bank's assets and liabilities and the overall financial structure. The Committee is also responsible for monitoring the interest rate, currency, and liquidity risks of the Bank.

Operating Risk Management Committee of the Bank

The Operating Risk Management Committee (the "ORMC") is responsible for operating risk management with the aim to decrease operating losses, improve banking processes, systems, and technologies, develop, approve, and implement measures aimed at ensuring the Bank's going concern.

For the purpose of operating management and response to identified operating risks and managing factors of operating risks, the Bank has established five subcommittees based on the Operating Risk Management Committee:

Personnel Subcommittee

Personnel Subcommittee analyzes matters on intentional and unintentional actions/errors by the personnel, assesses their qualifications and sufficiency, etc.

Processes Subcommittee

Processes Subcommittee analyzes the matters related to organization of processes, efficiency of the existing processes, and the need for optimization.

External Factors Subcommittee

External Factors Subcommittee analyzes incidents of intentional actions of third parties, liquidation of force-majeure consequences, and intentional damage to the Bank's reputation.

Systems Subcommittee

Systems Subcommittee analyzes the issues of IT systems quality, shapes common understanding of IT risks, and develops balanced solutions as to IT risks, with reference to the specifics and interests of the Bank's business units.

Information Security Subcommittee

Information Security Subcommittee considers matters related to development of the Information Security Management System, development of IT risk management culture, and management of IT incidents.

At each meeting, the Operating Risk Management Committee (the "ORMC") reviews the standard quarterly report on the operating risk events recorded in the reporting period, on the implementation of ORMC's decisions, on the effectiveness of the ICS based on the quarterly KCI (Key Control Indicator) monitoring, on the results of KPIs annual monitoring, and approves the KPIs list, as well as their threshold values for the next year. It approves the results of regular stress testing in respect of operating risk by the heads of structural units of JSC "FUIB" and approves the amount of risk appetite for operating risk for a year.

The ORMC also takes decisions on the administrations of the realized operating risk events, exercises control over the efficiency of the decisions made by the ORMC's Subcommittees, and evaluates the functioning efficiency of:

- The IT Security Management System;
- The Fraud Risk Management System;
- The Continuity Operation System;
- The Third-Party Risk Management System.

The ORMC approves the results of the annual Assessment of Adverse Factors on the Bank's Processes (Business Impact Analysis/BIA), approves the results of the annual practical testing of HQ's Business Continuity Plan (BCP), and monitors the results of distant training on the key mandatory distant courses.

26. Risk management (continued)

Introduction (continued)

Risk Management of the Bank

The Risk Management Division of the Bank is responsible for the development of risk management methodologies, procedures, and reporting allowing the Bank to perform a quantitative assessment of credit, market, operating, and liquidity risks. The structural units with the Risk Management Division are responsible for implementation and compliance with the procedures related to risk management, execute current control in respect of the above risks on a consistent basis, and control the execution of the decision taken by the Bank’s Credit bodies, the Bank’s Assets and Liabilities Management Committee, and the Bank’s Operating Risk Management Committee.

Risk Measurement and Reporting System

The Bank’s risks are measured using the methods that reflect both the expected losses likely to arise in the normal circumstances and unexpected losses which represent an estimate of the maximum actual losses based on statistical and expert models. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. The Bank also runs the worst case scenarios that would arise should extreme events, which are unlikely to occur, do, in fact, occur.

Risk monitoring and control are primarily performed based on the limits established by the Bank. Those limits reflect the business strategy and market environment of the Bank, as well as the level of the risk that the Bank is willing to accept, with an additional emphasis on the selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. The information compiled from all the businesses is examined and processed in order to analyze, control, and early identify the risks. This information is presented and explained to the Management Board of the Bank, the Assets and Liabilities Management Committee of the Bank, the Operating Risk Management Committee of the Bank, the Credit Council of the Bank, and the head of each relevant business unit. The report includes the information on the aggregate credit exposure, credit risk forecasts, limit exceptions, liquidity and interest rate risks and changes in the risk profile, and the information on operating risk. On a monthly basis, the detailed reporting on liquidity, currency, interest rate, and operating risks, as well as risks related to certain industries and customers is prepared. Management assesses the appropriateness of the allowance for expected credit losses on a monthly basis.

In addition, the Bank has a risk planning and limiting approach in place within the risk appetite (risk acceptance and/or limits) approved by the Supervisory Board for the reporting period, as well as mechanisms for escalating limit violations.

Risk mitigation

As a part of its overall financial risk management process, for the purpose of managing interest rate, currency, credit, and liquidity risks, the Bank uses a system of limits and restrictions that ensures that actual risk measures are at the levels that do not exceed the Bank’s tolerance to those risks.

The Bank actively uses collateral to reduce its credit risks (see below for more details).

To mitigate market risks, the Bank may use derivative financial instruments to a limited extent.

Credit risk

The Bank takes on the exposure to credit risk, which is the risk that a counterparty will be unable to pay the amounts in full when due. The Bank structures the levels of credit risk by placing limits on the amount of the risk accepted in relation to one borrower or a group of borrowers. Such risks are monitored on a continuous basis and are subject to a regular review. Limits on the level of credit risk per borrower are approved regularly by the Credit Council of the Bank and the Credit Committee of the Bank.

The exposure to credit risk is managed through the regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing those lending limits where appropriate. The exposure to credit risk is also managed, in part, by obtaining collateral; and corporate guarantees.

Derivative financial instruments

The credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

26. Risk management (continued)

Credit risk (continued)

Credit related commitment risks

The Bank makes guarantees and letters of credit available to its customers which may require that the Bank make payments on their behalf. They expose the Bank to similar risks as loans, and those are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of statement of financial position, including derivatives before the effect of mitigation through the use of netting or collateral agreements, is shown in their carrying amounts as accurately as possible.

If recorded at fair value, their carrying amounts represent the current credit risk exposure, but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more details on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

Credit quality of financial assets

The credit quality of financial assets is managed by using by the Bank of both external and internal credit ratings of borrowers. The credit quality by classes based on the external ratings and the Bank's credit rating system is disclosed in Notes 7, 8, and 9.

Impairment assessment

The allowance for expected credit losses is calculated based on the following: if, for a financial instrument, there is no evidence of increase in credit risk since origination, the ECL allowance is based on the 12 month expected credit loss (12m ECLs); if there is a significant increase in credit risk since origination or a financial instrument has been determined as impaired, the assessment is based on credit losses expected to arise over the life of a financial instrument (lifetime expected credit losses or LT ECLs).

The Bank has developed the methodology for identifying evidence of impairment and increase in credit risk since origination of a financial instrument and determined the required criteria on termination of such evidence. The Bank analyzes the loan portfolio (carried at amortized cost or at fair value through other comprehensive income) to identify and terminate the evidence of impairment and increase in credit risk since origination of a financial instrument on a monthly basis.

Based on this methodology, the Bank groups loans as follows (Stages):

- Stage 1 – For the financial instruments without evidence of impairment or increase in credit risk, the ECL allowance is based on 12m ECLs (on a portfolio basis). Stage 1 includes the financial instruments at initial recognition, loans with no evidence of increase in credit risk since origination of the financial instruments for which the credit risk has improved, and they have been reclassified from Stage 2.
- Stage 2 – For the financial instruments with evidence of increase in credit risk, the ECL allowance is based on lifetime ECLs (the allowance can be assessed on both individual and portfolio bases). Stage 2 included the financial instruments for which evidence of increase in credit risk has been identified, or the financial instruments for which the credit risk has improved, and they have been reclassified from Stage 3.
- Stage 3 – For the financial instruments with evidence of impairment, the ECL allowance is based on lifetime ECLs (the allowance can be assessed on both individual and portfolio bases).
- POCI – Purchased or originated credit-impaired financial assets that are credit impaired on initial recognition. At initial recognition, the amount of the financial instrument's lifetime ECLs is included in the calculation of a credit adjusted effective interest rate. Subsequently, the Bank recognizes in profit or loss at each reporting date the amount of changes in the expected credit losses on such financial instruments for the lifetime as an impairment gain or loss.

Significant increase in credit risk and termination of evidence of increased credit risk

In determining whether there is a significant increase in credit risk of a financial instrument, the Bank considers reasonable and verified information that is relevant and accessible without excessive cost or effort, including both quantitative and qualitative information, as well as the analysis based on the Bank's historical experience and the expert credit quality assessment.

26. Risk management (continued)

Credit risk (continued)

To assess a significant increase in credit risk, the Bank identifies whether there has been a significant increase in credit risk as compared to the probability of default since the initial recognition of a financial instrument.

The key considerations in the analysis of a significant increase in credit risk include the identification of whether payments of the principal amount or interest on the loan are overdue for more than 30 days (for legal entities and individuals, except for credit cards for individuals – 35 days) and three days (for banks).

The additional evidences of a significant increase in credit risk of a financial instrument are, in particular, the following observable data:

- Deterioration of the financial status of a borrower-legal entity which has resulted in a decrease in the internal rating by 3 points;
- The Bank’s restructuring of the loan on the terms of repayment re-scheduling which the Bank does not consider to be a deterioration in the creditor’s terms, but which may indicate probable difficulties in fulfillment of an agreement in the future;
- Identification of indicators of a probable increase in credit risk determined as part of the ‘early warning signals’ procedure;
- A decrease in the Bank’s internal rating by 2 points for resident banks;
- A decrease in the international rating (according to a rating agency’s bulletin, such as Standard & Poor's, Moody’s, Fitch Rating) by 3 points or a recall of international rating for non-resident banks.

Termination of all of the above evidence of a significant increase in credit rating and fulfillment of contractual obligations by the customer for at least three months after the elimination of all evidence is considered a criterion that the credit risk has decreased to such a level that a financial instrument may be reclassified to Stage 1.

Impairment (default) and termination of evidence of impairment

In assessing the occurrence of a default event on the Bank’s borrower’s obligations, the qualitative and quantitative indicators developed within the Bank are taken into account.

The key considerations in the analysis of loan impairment include the identification of whether payments of the principal amount or interest on the loan are overdue for more than 90 days (for legal entities and individuals) and 7 days (for banks).

The additional evidences of a credit impairment of a financial instrument are, in particular, the following observable data:

- A borrower’s or issuer’s significant financial difficulties;
- The Bank’s restructuring of a loan on the terms which the Bank would not consider in other circumstances (i.e. with a deterioration in the creditor’s terms);
- Probability of a borrower’s bankruptcy or liquidation;
- Probability of the Bank’s taking such actions as sales of collateral (if any) or the forgiveness/sale of the loan at a discount;
- For resident banks, the public recognition of a bank as insolvent and imposing the temporary administration;
- For non-resident banks, a decrease in international ratings (according to a rating agency’s bulletin, such as Standard & Poor's, Moody’s, Fitch Rating) to default rating.

Evidence of default termination is the elimination of all of the above evidence of impairment and fulfillment of contractual obligations by the customer for at least six months after the elimination of all evidence of default.

Lifetime ECL allowance

For Stage 2 and 3 and POCI loans, the Bank calculates an allowance for expected credit losses for the lifetime of financial instruments either on a portfolio or on an individual basis.

26. Risk management (continued)

Credit risk (continued)

The Bank determines the amount of allowance for expected credit losses for each significant loan (the Bank determines a materiality threshold separately for each type of lending – corporate lending, retail lending, and interbank transactions) on an individual basis. The items considered when determining the allowance amounts include the feasibility of the counterparty's business plan, it ability to improve the performance once a financial difficulty has arisen, projected receipts and the realizable value of collateral, and the timing of the expected cash flows.

The Bank determines the ECL allowance on financial instruments provided to customers, each of which is not individually significant, on a portfolio basis. The expected credit losses are determined considering the following information: loss in a portfolio on a 12-month horizon in the prior periods, current economic environment, the time period until a possible loss in the future.

12 month ECL allowance

For Stage 1 loans, the Bank calculates the allowance based on 12-month expected credit losses on a portfolio basis. To calculate the allowance, the Bank classifies the portfolio of financial instruments to groups with similar characteristics (e.g., segment, customer rating, type of loan product, etc.). The expected credit losses are determined taking into account the following information: loss in the portfolio on a 12-month horizon in the prior periods, current economic environment, the time period until a possible loss in the future.

Input data for ECL assessment

The key inputs for ECL assessment on a portfolio basis are:

- Probability of default (PD);
- Loss given default (LGD).

These figures are derived from internal statistical models and other historical data. The probability of default (PD) is an estimate at a specific date calculated based on the Bank's statistical data and evaluated using valuation tools adapted to different categories of counterparties. If counterparties facing a credit risk migrate between rating levels, this results in a change in the assessment of the respective probability of default.

The accumulated probability of default over the lifetime of a financial instrument is the probability that a financial instrument will be exposed to default over its lifetime. This probability is calculated for a group of homogeneous assets. The probability of default is based on the Bank's historical data.

The LGD rate is an amount of probable loss in the event of default. The Bank assesses the LGD based on the information regarding the collection rates of counterparty defaulters. The collection amount is calculated based on the discounting of cash flows using the effective interest rate as a discount factor.

The ECL allowance is reviewed by the credit risk management divisions to ensure its alignment with the Bank's overall policies.

The financial guarantees and letters of credit are assessed based on the methods applied for loans; when the loss is considered probable, the allowances are recorded against other credit related commitments.

To assess the allowances for expected credit losses, the Bank takes into account the information on changes in the economic environment. For the purpose of calculating the allowances for expected credit losses as at 31 December 2021, the Bank took into consideration the applied level of probability of default and loss given default considering the actual changes in the loan portfolio for the year ended 31 December 2021 (the PD and LGD statistics).

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to discharge its payment obligations when due in the course of normal economic activities and under stress circumstances. To limit this risk, management has ensured diversified funding sources in addition to the Bank's core deposit base, manages assets in compliance with its liquidity principles, and monitors future cash flows and liquidity on a daily basis.

(In Ukrainian Hryvnias and in thousands)

26. Risk management (continued)

Liquidity risk and funding management (continued)

To ensure a proper discharge of both its own and customers' obligations, the Bank has implemented the policy aimed at maintaining liquid assets at the level sufficient to cover any unplanned withdrawal of a part of the customer deposits placed with the Bank as a precaution against further deterioration in the economic situation, specifically, through formation of so called 'liquidity cushion' (the in-house standard VLA2). To assess the adequacy of the secondary liquidity cushion, the Bank uses the methodology of calculating the minimum required level of secondary liquidity for three stress outflow scenarios: light, medium, and heavy. The scenarios are based on the Bank's own statistics regarding outflows of customer accounts. Based on the liquidity risk stress testing results as at 31 December 2021, the secondary liquidity cushion created by the Bank covers the stress outflows under three business scenarios. The liquidity risk is measured by the Bank by using the gap analysis and forecasts regarding the expected future cash flows during a 1-year terms. In addition, the liquidity position is assessed and managed by the Bank based on certain liquidity ratios established by the NBU.

As at 31 December 2021, the indicated ratios were as follows:

Ratio	2021, %	2020, %
N6 "Short-term Liquidity Ratio" (certain assets with the original maturity up to one year/liabilities with the original maturity up to one year, including off-balance sheet commitments) (minimum level required by the NBU − 60%)	96	98
LCR – On 15 February 2018, the NBU approved a new prudential ratio for Ukrainian banks – the Liquidity Coverage Ratio (LCR). The value of the ratio should be < 100%		
LCR in total for all currencies	173	182
LCR in foreign currencies	211	261
NSFR – the Net Stable Funding Ratio (NSFR) approved by Resolution of the NBU's Management Board # 158 dated 24 December 2019. The schedule of implementing the NSFR: No less than 80% – effective from 1 April 2021; No less than 90% – effective from 1 October 2021; No less than 100% – effective from 1 April 2022.	127	–

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at 31 December 2021. The table shows the undiscounted liabilities repayable under the contract. The exception is trade derivatives delivered through the supply of underlying assets which are presented as the amounts receivable and payable by the remaining maturities. The repayments subject to the notice receipt are treated as repayable immediately. However, the Bank expects that many customers will not request the repayments to be made on the earliest date the Bank could be required to pay, and the table does not reflect the expected cash flows indicated in the Bank's deposit retention history.

As at 31 December 2021	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Due to the Central Bank	45,481	86,560	133,508	269,951	6,988,911	**7,524,411**
Due to others banks	1,118,728	–	38,189	272,782	15,498	**1,445,197**
Customer accounts	56,855,923	9,900,941	8,105,614	6,518,043	306,354	**81,686,875**
Derivative financial instruments repayable through the delivery of underlying assets:						
- Contractual amounts payable	38,668	–	–	–	–	**38,668**
- Contractual amounts receivable	(30,464)	–	–	–	–	**(30,464)**
Lease liabilities	15,515	31,031	46,546	93,092	268,236	**454,420**
Other financial liabilities	2,463,602	–	–	–	–	**2,463,602**
Total undiscounted financial liabilities	**60,507,453**	**10,018,532**	**8,323,857**	**7,153,868**	**7,578,999**	**93,582,709**

(In Ukrainian Hryvnias and in thousands)

26. Risk management (continued)

Liquidity risk and funding management (continued)

As at 31 December 2020	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Due to the Central Bank	21,403	40,734	62,827	127,036	5,134,356	**5,386,356**
Due to others banks	1,350,033	–	6,328	–	500	**1,356,861**
Customer accounts	40,055,005	10,067,889	4,830,017	2,444,810	422,145	**57,819,866**
Derivative financial instruments repayable through the delivery of underlying assets:						
- Contractual amounts payable	122,234	28,242	–	–	–	**150,476**
- Contractual amounts receivable	(95,976)	(28,209)	–	–	–	**(124,185)**
Lease liabilities	14,659	29,318	43,977	87,953	204,631	**380,538**
Other financial liabilities	1,341,892	–	–	–	–	**1,341,892**
Total undiscounted financial liabilities	**42,809,250**	**10,137,974**	**4,943,149**	**2,659,799**	**5,761,632**	**66,311,804**

The table below summarizes the contractual maturities of the Bank's actual and potential financial liabilities.

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
2021	**768,699**	**629,348**	**1,588,777**	**2,536,631**	**1,336,566**	**6,860,021**
2020	**752,435**	**570,587**	**468,083**	**1,150,432**	**696,006**	**3,637,543**

The financial commitments and contingencies include guarantees and letters of credit the drawdowns on which are possible at any time after the reporting date until the contractual maturity under the instrument. The Bank expects that not all contingent liabilities or commitments will be drawn before the relevant contracts expire.

The table below summarizes the analysis of assets and liabilities by final contractual maturities of assets and liabilities as at 31 December 2021 (the amounts are stated at carrying values):

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Assets						
Cash and cash equivalents	21,326,213	–	–	–	–	**21,326,213**
Due from banks	2,362	1,117,215	894,062	788,863	–	**2,802,502**
Investments in securities	7,404,500	417,615	971,083	2,483,946	11,864,988	**23,142,132**
Loans and advances to customers	20,274,957	7,727,326	8,288,181	9,179,727	7,616,602	**53,086,793**
Derivative financial assets	10,814	–	–	–	–	**10,814**
Other financial assets	1,625,557	–	–	–	–	**1,625,557**
Total financial assets	**50,644,403**	**9,262,156**	**10,153,326**	**12,452,536**	**19,481,590**	**101,994,011**
Liabilities						
Due to the Central Bank	–	–	–	–	5,693,029	**5,693,029**
Due to others banks	1,118,728	–	38,189	272,782	15,498	**1,445,197**
Customer accounts	56,715,152	9,689,030	7,908,440	6,308,180	296,332	**80,917,134**
Derivative financial liabilities	8,204	–	–	–	–	**8,204**
Lease liabilities	12,973	25,947	38,920	77,840	224,288	**379,968**
Other financial liabilities	2,463,602	–	–	–	–	**2,463,602**
Total financial liabilities	**60,318,659**	**9,714,977**	**7,985,549**	**6,658,802**	**6,229,147**	**90,907,134**
Potential off-balance liabilities	6,860,021	–	–	–	–	**6,860,021**
Liquidity gap arising from financial instruments	**(16,534,277)**	**(452,821)**	**2,167,777**	**5,793,734**	**13,252,443**	**4,226,856**

(In Ukrainian Hryvnias and in thousands)

26. Risk management (continued)

Liquidity risk and funding management (continued)

Included in "Customer Accounts" are term deposits of individuals. In accordance with the Ukrainian legislation, the Bank is obliged to repay such deposits upon the depositor's demand (Note 15). Management of the Bank believes that most of the term deposits of individuals will not be withdrawn before the maturity date, thus, customer accounts are recorded by the contractual maturities. Total deposits of individuals as at 31 December 2021 amounted to UAH 22,401,540 thousand (2020: UAH 17,996,432 thousand).

Term deposits of individuals	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
2021	**2,988,220**	**6,290,494**	**6,776,635**	**6,083,897**	**262,294**	**22,401,540**
2020	**3,977,178**	**7,641,169**	**4,217,494**	**2,013,737**	**146,854**	**17,996,432**

The table below summarizes the analysis of assets and liabilities by final contractual maturities of assets and liabilities as at 31 December 2020 (the amounts are stated at carrying values):

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Assets						
Cash and cash equivalents	14,534,838	–	–	–	–	**14,534,838**
Due from banks	36,510	23,918	1,072,323	353,603	20	**1,486,374**
Investments in securities	4,392,845	775,613	2,212,896	5,205,305	5,868,045	**18,454,704**
Loans and advances to customers	8,996,258	13,850,145	4,466,024	5,195,084	5,065,697	**37,573,208**
Derivative financial assets	9,492	–	–	–	–	**9,492**
Other financial assets	576,523	–	–	–	–	**576,523**
Total financial assets	**28,546,466**	**14,649,676**	**7,751,243**	**10,753,992**	**10,933,762**	**72,635,139**
Liabilities						
Due to the Central Bank	–	–	–	–	4,200,554	**4,200,554**
Due to others banks	1,349,826	–	6,328	–	500	**1,356,654**
Customer accounts	39,970,814	9,965,226	4,758,495	2,410,081	410,646	**57,515,262**
Derivative financial liabilities	26,291	–	–	–	–	**26,291**
Lease liabilities	12,660	25,320	37,979	75,958	176,723	**328,639**
Other financial liabilities	1,341,859	33	–	–	–	**1,341,892**
Total financial liabilities	**42,701,450**	**9,990,579**	**4,802,802**	**2,486,039**	**4,788,423**	**64,769,292**
Potential off-balance sheet liabilities	3,637,543	–	–	–	–	**3,637,543**
Liquidity gap arising from financial instruments	**(17,792,527)**	**4,659,097**	**2,948,441**	**8,267,953**	**6,145,339**	**4,228,304**

For bring it into line with the presentation of information as at 31 December 2021, the items "Loans and advances to customers" and "Lease liabilities" were restated taking into account the terms of the expected repayment.

The maturity analysis does not reflect the historical stability of current liabilities. Their realization historically took place within the period exceeding the one indicated in the table above. These balances are included in the table above as the amounts with the maturity dates in the period of up to one month.

The Bank's ability to repay its liabilities depends on its ability to attract the equivalent amount of assets within the same period of time. The current volume of liquid assets will enable the Bank to operate in a stable manner even under the situation when there may a partial withdrawal of customers' deposits from the Bank and incase of further deterioration of the economic situation.

26. Risk management (continued)

Liquidity risk and funding management (continued)

As at 31 December 2021, the Bank had a cumulative inconsistency between the 12-month maturities of financial assets and liabilities in the amount of UAH 9,025,587 thousand. Such a liquidity inconsistency arises due to the fact that the important source for the Bank's funding is represented by customers funds on current accounts. The Bank has the investment securities measured at fair value through other comprehensive income in the amount of UAH 11,864,988 thousand with the maturity over 12 months that may be early sold by the Bank, if needed.

The Bank's management believes that, in spite of a substantial portion of the customers' demand deposits, the diversification of those deposits by the number and types of depositors, as well as the past experience of the Bank would indicate that those customer accounts provide for a long-term and stable source of funding for the Bank.

Market risk

Market risk – non-trading

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, exchange rates, and other prices. The Bank manages its exposures to market risk for non-trading portfolios. Non-trading positions are managed and monitored by using the sensitivity analysis.

Interest rate risk

Interest rate risk is a potential threat of loss occurrence, decrease in income or decrease in cost of capital of the bank as a result of unfavorable changes in interest rates in the market. The risk arises primarily as a result of differences in maturities of assets and liabilities of the Bank in terms of sensitivity to changes in interest rates. Thus, the interest rate risk is the result of the unbalanced structure in the statement of financial position by assets and liabilities by the residual term to the repricing date that are sensitive to changes in interest rates.

To assess its interest rate risk, the Bank uses the gap analysis if interest-bearing assets and liabilities, performs the sensitivity analysis of interest-bearing assets and liabilities to changes in interest rates.

Interest risk control is performed in accordance with the report of spread and margin changes.

The Bank assesses interest rate risk by the baseline scenario of parallel shift in the yield curve towards the increase in interest rates. Shock rate shifts for the baseline scenario are calculated as the standard deviation for the recent 250 business days in terms of major currencies. As at 31 December 2021, the Bank was exposed to interest rate risk, whose realization may have an impact on net interest income within one-year horizon – a possible decrease by UAH 13.8 million (31 December 2020: UAH 6.3 million). Had there been increase in the yield to maturity by 1 percentage point, the revaluation surplus for securities in equity would lower by UAH 49,880 thousand as at 31 December 2021 (31 December 2020: by UAH 126,719 thousand).

The Bank assesses the above level of interest rate risk as acceptable and controllable, which is not to affect significantly the Bank's yield and stable financial position. Interest rates are set by the Tariff Commercial Committee of the Bank taking into consideration the transfer interest rates and cost of risks set by the Bank's Assets and Liabilities Management Committee. In accordance with the internal policies of the Bank, the delegation of authority regarding the change in interest rates is established. The control over transaction efficiency with interest-bearing instruments is performed by the Tariff Commercial Committee of the Bank on a monthly basis.

Currency risk

Currency risk is the risk connected with the impact of foreign exchange rate fluctuations on the value of financial instruments.

The Bank performs a currency risk assessment using Value-at-Risk assessment methodology (VaR) taking into consideration the recommendations of International Convergence of Capital Measurement and Capital Standards, June 2006 and Revision to Basel II Market Risk Framework, December 2010. VaR allows to assess maximum possible extent of losses with the set confidence level for a certain period of time.

The Bank performs a VaR calculation using the historical modelling method to assess the currency risk in the normal and stressed conditions of the financial market development. The VaR calculation is based on 251 days of unweighted historical data on market currency rates, the calculation period during which the Bank would be potentially able to close open foreign currency positions is 10 days and one-sided confidence level is 99%.

(In Ukrainian Hryvnias and in thousands)

26. Risk management (continued)

Currency risk (continued)

In determining the currency risk, the estimated VaR is multiplied by the sum of number "3" and mark-up in the amount of "1" in accordance with the Basel recommendations.

Disregarding the fact that VaR allows obtaining a currency risk assessment, it is needed to consider the following weaknesses in the method, in particular:

- Using previous exchange rate changes in respect of currencies and precious metals does not allow to fully estimate possible fluctuations in foreign currency and precious metals exchange rates in the future;
- Using a 10-day calculation period stipulates that all open positions in foreign currencies and precious metals may be closed within 10 trading days. This estimation may inaccurately reflect the currency risk value in the periods of diminished market liquidity, whereby the period of position closing by the Bank may increase;
- Using 99% one-sided confidence level does not allow to estimate the volume of losses expected with 1% probability; and
- VaR calculation is performed based on the open positions of the Bank in foreign currencies and precious metals as at the end of the day and may not reflect the risk accepted by the Bank during the day.

The results of currency risk calculations using the VaR method as at 31 December are provided in the table below:

Index	**2021**	**2020**
Currency risk, without the diversification considered		
USD	93,735	68,025
EUR	5,368	9,033
RUB	683	620
Other currencies	2,551	2,840
Total currency risk, without the diversification considered	**102,337**	**80,518**
Diversification effect	(14,034)	(15,090)
Currency risk, with the diversification considered	**88,303**	**65,428**

The above data are calculated on the basis of internal management reporting of the Bank based on the financial statements prepared in accordance with IFRS.

The Bank's Asset and Liability Management Committee reviews the results of currency risk assessment on a monthly basis.

Operating risk

The Operating Risk Management System has been effective from 2011, and it is integrated into the Bank's overall risk management system. The Bank calculates the value of acceptable operating risk on an annual basis – 'risk appetite' for the next 12 months. The risk appetite is approved by the Operating Risk Management Committee (the "ORMC") and considered in the course of budgeting (for 2021, the risk appetite in the amount of UAH 29.4 million). The Supervisory Board monitors, on a quarterly basis, the Bank's compliance with the 'risk appetite' set. If there emerge any significant operating risk events, an immediate notification to the ORMC, the Management Board, and the Supervisory Board is provided for, as well as a detailed investigation of their reasons is performed and measures to be undertaken for avoidance of those events recurrence in the future are taken.

The Operating Risk Management System includes, in particular:

- Single classifier of operating risks and the internal database of operating risk events;
- Weekly consolidation of operating risk events occurred across the Bank received from the Risk Officers of Structural Units;
- Quarterly monitoring of key risk indicators ("KRIs");
- Annual self-assessment of operating risk;
- Quarterly stress testing of operating risk in accordance with the requirements of the National bank of Ukraine;

26. Risk management (continued)

Operating risk (continued)

-
- Annual calculation of the risk appetite and risk limits;
- Annual calculation of the risk appetite and capital adequacy to cover operating risk in accordance with the Basel 3 recommended approach.

All registered operating risk events are subject to a detailed review and assessment in respect of adverse consequences, and the events requiring additional management decisions or development of additional mitigation measures are considered by the ORMC Subcommittees or the Operating Risk Management Committee.

The Bank accumulates external operating risk events to work out its stress test scenarios. To obtain a uniform assessment of the level of operating risk, a comparative analysis of the results by different approaches is carried out (the resulting risk level is assessed in accordance with the scale: low, medium, high).

The Bank pays a special attention to managing IT security and fraud risks in respect of which management has established zero tolerance and introduced separate reporting to the ORMC and the Supervisory Board. Information and legal risks are managed within the Operating Risk Management System.

To ensure continuous operations, the Bank carries out a hands-on testing of the Business Continuity Plan and the Plan for Returning to Normal Business Operations.

Also, to control the quality of outsourcing, the Bank has the Third Party Risk Management System in place that enables timely identification and minimization of risks of cooperation with counterparties.

The efficiency of the Operating Risk Management System is evidenced by the results of the 3-Tier Internal Control System (current control, risk management control, and internal audit). The Internal Control System also includes three tiers of protection:

- Tier 1: Business units and supporting units;
- Tier 2: Risk management units and Compliance Control Department;
- Tier 3: Internal Audit Department.

The Bank organizes annual personnel trainings on operating risk management (with a special focus on fraud risk and information security, requirements to business continuity) and rules of the Internal Control System functioning.

(In Ukrainian Hryvnias and in thousands)

27. Fair value measurements and disclosures

Fair value of financial assets and liabilities not carried at fair value

Set out below is the comparison by class of the carrying amounts and fair value of the Bank's financial instruments that are carried at amortized cost in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2021			2020		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Cash and cash equivalents	21,326,213	21,326,213	–	14,534,838	14,534,838	–
Loans and advances to banks						
- Interest income accrued on current accounts and overnight deposits with other banks	6	6	–	2	2	–
- Term deposits with other banks	2,802,496	2,802,496	–	1,486,372	1,486,372	–
Loans and advances to customers						
- Corporate loans	32,072,936	32,446,219	373,283	22,128,575	22,153,785	25,210
- Finance leases	1,450,702	1,455,392	4,690	1,082,555	1,138,183	55,628
- Consumer loans	8,144,475	8,144,475	–	6,460,294	6,460,294	–
- Credit cards and overdrafts	11,359,200	11,359,200	–	7,846,499	7,846,499	–
- Mortgage loans	59,480	52,871	(6,609)	55,285	51,404	(3,881)
Derivative financial assets	10,814	10,814	–	9,492	9,492	–
Other financial assets	1,625,557	1,625,557	–	576,523	576,523	–
Financial liabilities						
Due to the Central Bank	5,693,029	5,693,029	–	4,200,554	4,200,554	–
Due to others banks:						
- Current accounts of other banks	580,855	580,855	–	690,658	690,658	–
- Term deposits of other banks	864,342	864,342	–	440,928	440,928	–
- Borrowings from other banks	–	–	–	225,068	225,068	–
Customer accounts						
- Legal entities	45,634,763	45,647,021	(12,258)	30,218,849	30,221,888	(3,039)
- Individuals	35,282,371	35,361,237	(78,866)	27,296,413	27,347,308	(50,895)
Derivative financial liabilities	8,204	8,204		26,291	26,291	
Other financial liabilities	2,463,602	2,463,602	–	1,341,892	1,341,892	–
Total unrecognized change in unrealized fair value			**280,240**			**23,023**

The following describes the methods and assumptions used in determining the fair values of the financial instruments that are not recorded at fair value in the financial statements.

Assets the fair value of which approximates the carrying amounts

For the financial assets and financial liabilities that are liquid or have a short-term maturity (up to three months), it is assumed that their carrying amounts approximate their fair values. Such an assumption is also applied to demand deposits, savings accounts without a specific maturity, and financial instruments with variable interest rates.

Financial assets and financial liabilities carried at amortized cost

For the quoted bonds, the fair value is calculated based on the quoted market prices at the reporting date. For the instruments the quoted market prices of which are not available and the fair values of which differ from their carrying amounts, in particular, loans and advances to customers, loans and advances to banks, due to the Central Bank, due to others banks, customer accounts, other financial assets and liabilities, a discounted cash flow model is used based on the current market rates offered for similar financial instruments with similar terms and conditions, similar credit risk and maturities.

(In Ukrainian Hryvnias and in thousands)

27. Fair value measurements and disclosures (continued)

Assets and liabilities measured at fair value or the fair value of which is disclosed

All assets and liabilities the fair value of which is measured or disclosed in the financial statements are classified by the fair value sources hierarchy presented below on the lowest level input that is significant to the fair value measurement taken as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which all inputs which have a significant effect on the fair value recorded belong to the lowest hierarchy level and are, directly or indirectly, based on the market data; and
- Level 3: Valuation techniques which use inputs which have a significant effect on the fair value recorded belong to the lowest hierarchy level and are not observable in the market.

For the assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest input that is significant to the fair value measurement taken as a whole) at the end of each reporting period.

The fair value measurement at Level 3 of the fair value hierarchy has been calculated using the discounted cash flow method based on the estimated future expected cash flows discounted using the interest rate prevailing at the reporting date on similar products of the Bank and the remaining period.

For the purpose of disclosing fair values, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy:

		Fair value measurement			
31 December 2021	**Measurement date**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value					
Government debt securities	31 December 2021	−	17,025,685	−	**17,025,685**
Derivative financial assets	31 December 2021	−	10,814	−	**10,814**
Deposit certificates issued by the NBU	31 December 2021	−	6,109,390	−	**6,109,390**
Property, plant and equipment – buildings	1 December 2021	−	−	797,767	**797,767**
Works of art	1 December 2016	−	−	17,120	**17,120**
Investment property	1 December 2021	−	−	62,099	**62,099**
Assets the fair value of which is disclosed					
Loans and advances to customers	31 December 2021	−	−	53,458,157	**53,458,157**
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2021	−	8,204	−	**8,204**
Liabilities the fair value of which is disclosed					
Customer accounts	31 December 2021	−	−	81,008,258	**81,008,258**

(In Ukrainian Hryvnias and in thousands)

27. Fair value measurements and disclosures (continued)

Assets and liabilities carried at fair value

		Fair value measurement using			
31 December 2020	**Measurement date**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value					
Government debt securities	31 December 2020	−	14,445,787	−	**14,445,787**
Derivative financial assets	31 December 2020	−	9,492	−	**9,492**
Deposit certificates issued by the NBU	31 December 2020	−	4,001,860	−	**4,001,860**
Property, plant and equipment – buildings	1 December 2020	−	−	806,507	**806,507**
Works of art	1 December 2016	−	−	17,005	**17,005**
Investment property	1 December 2020	−	−	71,330	**71,330**
Assets the fair value of which is disclosed					
Loans and advances to customers	31 December 2020	−	−	37,650,165	**37,650,165**
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2020	−	26,291	−	**26,291**
Liabilities the fair value of which is disclosed					
Customer accounts	31 December 2020	−	−	57,569,196	**57,569,196**

The following is the description of the fair value determination for the financial instruments carried at fair value by using valuation techniques. Those incorporate the Bank's estimates and judgments that a market participant would make when assessing the instruments.

Derivative financial instruments

The derivative financial instruments measured using the valuation techniques that are based on market observations are mainly represented by currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models using the present value calculations. Those models incorporate varied inputs, including the credit quality of counterparties, forward exchange spot and forward rates and interest rate curves.

Investments in securities

The securities measured using the valuation techniques are primarily represented by unquoted debt securities. Those securities are measured using the discounted cash flows models which, sometimes, incorporate only the data observable in the market, such as interest rate, and, at other times, use both observable and non-observable data. The non-observable inputs to the models include the assumptions regarding the future financial performance of an investee, its risk profile, and economic assumptions regarding the industry in which the investee operates.

Buildings, works of art, and investment property

The basis for assessment is the sales comparison approach which is further confirmed by the income approach. In the course of revaluation, independent appraiser use certain judgments and estimates when determining the comparable buildings to be used in the sales comparison approach and useful lives of the assets revalued and capitalization rates to be applied for the income approach.

During the years ended 31 December 2021 and 2020, the Bank did not transfer any financial assets or financial liabilities between levels of the fair value hierarchy.

28. Contingencies and contractual commitments

Legal proceedings

From time to time and in the normal course of business, the Bank acts as a party in varied litigation and disputes under the claims filed against it. Based on its own estimates and comments of in-house specialists, management believes that, the ultimate amount of obligations that may arise as a result of legal proceedings and disputes will not have a material adverse impact on the Bank's financial position or performance.

Tax and other regulatory compliance

The Ukrainian legislation and regulations regarding taxation and other operating matters, including currency exchange control and customs regulations, continue to evolve. The legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional, and national authorities, as well as other government bodies. Instances of inconsistent interpretations are not unusual. The Bank's management believes that its interpretation of the relevant legislation is appropriate, and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

Taxation

Ukraine's tax environment is characterized by complexity in tax administering, arbitrary interpretation by the tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and those amounts could be material. Facing current economic and political issues, the Government considers implementing certain reforms in the tax system of Ukraine.

On 23 May 2020, the new anti-BEPS Law entered into force, which significantly changed the Ukrainian Tax Code, introducing a significant portion of BEPS Action plan steps to the local tax legislation. Among other changes, the new Law has introduced:

- Controlled foreign companies regulations, which allow taxing undistributed profits of Controlled Foreign Corporations (CFCs) at the level of the Ukrainian tax resident – owner (controlling shareholder) of the CFC. An income of CFC would be taxable by personal income tax or corporate income tax at the level of a controller (tax resident of Ukraine that owns or controls a CFC) unless an exemption is applicable. If a controlling shareholder (resident of Ukraine) meets the minimum control threshold, income would be attributed to that shareholder (based on the proportion of ownership), included to the annual income of a controlling shareholder and reported within an annual tax return. An 18% tax applies to the undistributed income of a CFC. Distributed income of a CFC could be subject to an 18% or 9% rate depending on the period of distribution. A 9% rate applies if CFC's income is distributed to the resident controlling shareholder as dividends before filing the CFC report in Ukraine or by the end of the second calendar year that follows the reporting year. An 18% rate applies if the distribution is made at a later date. The first reporting period for CFC is the year 2022.
- Principal purpose test, alongside with beneficial ownership regulation for double tax treaties application purposes. If the tax authority identifies that the main purpose of a transaction is obtaining a double tax treaty benefits, they may disallow the application of a reduced withholding tax rate. Beneficial ownership criteria have been elaborated and now include the following:
  - Recipient of income should be entitled to receive such income;
  - Recipient of income should have the unrestricted right to dispose of the earned income;
  - Recipient of income is not an agent, nominee, or an intermediary with respect to such income (namely, the recipient of income exercises separate functions, carries commercial risks, has sufficient economic substance (employees, bank account, office, postal address, telephone, fax, etc.)).

  Moreover, a 'look-through approach' for beneficial ownership purposes has been introduced, according to which if the immediate recipient of Ukraine-source income is not the beneficial owner of the income, the tax treaty with the jurisdiction of the beneficial owner may apply in Ukraine.

- Mutual agreement procedure, which allows resolving tax disputes under double tax treaties in case either resident or non-resident of Ukraine believes actions or decisions of the tax authorities (both Ukrainian and foreign) have resulted or will result in taxation incompliant with the relevant tax treaty.

28. Contingencies and contractual commitments (continued)

Taxation (continued)

- New thin capitalization rules, which apply to transactions with both related and unrelated parties starting from 1 January 2021. Under the new rules, if the debt-to-equity ratio of 3.5 is exceeded, only a portion of the Company's interest expense, which is equal to 30% of its EBITDA, would be tax-deductible. The residual amount of interest expense may be carried forward to future periods, subject to 5% annual disallowance.
- Three-tiered transfer pricing reporting, which has added requirements for multinational enterprises to prepare a master file and a country-by-country report ("CbCR"), subject to the revenue threshold of EUR 50 million for master file and EUR 750 million for CbCR. The first reporting year is expected to be 2021.
- New upward adjustment (an increase of taxable base) by 30% of sales of goods and services to 'low-tax' non-residents (i.e. non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%) that have one of individual organization forms.
- Introduction of a 'business purpose' criterion, which stipulates the right to challenge transactions subject to proving the circumstances that are indicative of the absence of reasonable economic reason ("business purpose") of their conduct. Applicable from 23 May 2020 to 31 December 2021 as the right to challenge (exclude) expenses incurred in the performance of any transactions with non-residents, subject to proving the absence of 'business purpose' and from 1 January 2022 – in the amended version. This rule will apply to transactions with 'low-tax' non-residents, as well as to royalty payments to non-residents of Ukraine.
- Constructive dividends concept, effective from 2021, which considers a number of transactions as dividends distribution for tax purposes. Such transactions include any monetary/non-monetary payments to shareholders related to the distribution of net profit, transfer pricing adjustments, any other payment to non-resident shareholder related to shareholder capital reductions, share buy-backs, a shareholder's exit, or any other similar transaction between the legal entity and its shareholder resulting in reduction of retained earnings.

In late 2021, the Verkhovna Rada of Ukraine adopted the Draft Law # 5600 on Amending the Tax Code of Ukraine and Certain Legislative Acts of Ukraine Aimed at Ensuring Balanced Fiscal Revenue, which shall be effective from 1 January 2022. Among other changes, the new Law has introduced:

- Restriction on the utilization of tax losses. Effective from 2022, tax loss carry forwards for large taxpayers are limited to 50% of losses reported in the previous year. Unused tax losses are permitted to use in future period with 50% limit until they are fully utilized. However, if tax loss carried forward from previous years does not exceed 10 percent of taxable profit for the reporting period, the taxpayer may reduce the amount of profit/loss before tax for this tax (reporting) period in full. The restriction applies to large taxpayers.
- Non-repayable financial aid is not deductible. It is not allowed to recognize as deductible the non-repayable financial aid (goods, services) provided to a related party if the recipient reported tax losses in the previous reporting year.
- The timeframe for including VAT amounts in VAT input is significantly reduced. The period during which the taxpayers have the right to include VAT amounts in VAT input is reduced from 1,095 days to 365 days.

The further amendment of anti-BEPS Law is expected, which would allow adjusting some of its provisions, which have quickly become controversial and rather fiscal for Ukrainian companies. However, most of the previous attempts to amend the Law have failed and, therefore, it is not possible to assess the probability of its further amendment.

On 15 March 2022, the Verkhovna Rada of Ukraine adopted the Draft Law # 7137-д "On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period". The regulations are effective from the announcement and are expected to remain in effect while the martial law is in force in Ukraine.

Among other changes, the new Law has introduced:

- No penalties should apply for failure to pay taxes and duties or file tax returns and reports, where circumstances mean taxpayers are prevented from compliance (except for declaring a single tax at 2%), registration of tax or excise invoices in the relevant registers in the absence of the ability to file them. Taxpayers should bring their affairs up to date, e.g., pay the taxes and file the returns, within three months after martial law is lifted.
- Until the martial law is terminated or cancelled, no new tax audits should be initiated and ongoing tax audits will be suspended. However, exceptions apply to desktop (i.e., virtual) audits to confirm VAT refunds and audits aimed at verification of cash handling procedures and compliance with the labor legislation, which will continue during the martial law.
- Excise duty on fuel has been cancelled, and VAT rate for fuel imports has been decreased from 20% to 7%.

28. Contingencies and contractual commitments (continued)

Taxation (continued)

- Corporate income taxpayers (with the annual turnover up to UAH 10 billion and regardless of their number of employees) may elect to be subject temporarily to the 2% unified tax in lieu of corporate income tax as from 1 April 2022 and while the martial law is in force. The unified tax will be calculated based on annual income without regard to expenses or other deductions. Companies that register for the unified tax are also relieved of the requirement to accrue, pay VAT, and submit VAT tax returns on their supplies of goods, works, services. As such, the unified tax effectively replaces both corporate income tax and VAT. Carried forward tax losses and amount of interest, accrued under thin capitalization rule, may be transferred to the future periods, when the taxpayer would restore as a corporate income taxpayer.
- VAT administration is simplified during the martial law period, with taxpayers being allowed to claim input VAT without receiving VAT invoices. At the same time, within six months after the termination or abolition of the martial law, taxpayers are required to ensure the registration of tax invoices.
- Failure by the state to conduct budget reimbursement of VAT in connection with the imposition of the martial law is not considered as an indebtedness, i. e. a penalty on such amounts is not accrued. As such, the process of VAT reimbursement may be significantly complicated.
- Goods purchased with VAT and lost or destroyed or transferred to the state or municipal ownership for the needs of ensuring the defense of Ukraine during the martial law are not considered as used in non-taxable transactions or non-business activities, so no VAT liability should be accrued.
- The transfer of goods and services to be used for the benefit of the military defense of Ukraine will not be subject to VAT.
- Landowners are exempt from paying land tax and land rent in the areas where active hostilities are taking place or temporarily occupied territories, or littered with explosive objects for the period from March 2022 to 31 December of the year following the year in which the martial law is cancelled.
- Environmental tax on the facilities located in temporarily occupied territories or areas where active hostilities are taking place has been cancelled for 2022.

In March 2022, a zero quota on exports of rye, buckwheat, millet, sugar, mineral fertilizers, cattle, cattle meat, and table salt was introduced. Exports of corn, wheat, sunflower oil, chicken meat, eggs are subject to licensing, while exports of gas are prohibited.

At the same time, on 12 May 2022, the Verkhovna Rada of Ukraine adopted the Draft Law № 7360 "On Amending the Tax Code of Ukraine and Other Legislative Acts on the Peculiarities of Tax Administration of Taxes, Duties, and Unified Tax Contributions during the Martial Law Period", which includes significant amendments to the previously adopted legislation on tax administration during the martial law period. On 25 May 2022, the Law was signed by the President of Ukraine and came into force. According to the Law, the obligation to pay taxes, register tax invoices, and submit reports for the taxpayers which are able to fulfill this obligation in a timely manner is restored, the tax authorities' right to conduct the unscheduled documentary audits has been restored, and penalties as a result of tax audits may now be applied. The moratorium on the penalties imposed as a part of COVID-19 restrictions is cancelled.

Management believes that the Bank has been in compliance with all requirements of the effective tax legislation.

Capital expenditure commitments

As at 31 December 2021, the Bank had capital expenditure commitments in respect of purchases of equipment in the amount of UAH 56,871 thousand (31 December 2020: UAH 37,811 thousand). The Bank's management has already allocated the required resources in respect of those commitments. The Bank's management believes that the future net income and funding will be sufficient to cover those commitments and similar obligations.

Credit related commitments

The guarantees and standby letters of credit which represent irrevocable assurances that the Bank will make payments in the event that a customer fails to meet its obligations to third parties, carry the risk of the clients' defaults, or inability to fulfill the contracts with third parties. The Bank manages its risk of loss by requiring a significant proportion of guarantees to be secured with deposits in the Bank. Documentary and commercial letters of credit, which are written undertakings of the Bank on behalf of the customers authorizing third parties to draw drafts on the Bank up to a stipulated amount under the specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits, and, therefore, carry a lower risk than direct borrowings.

(In Ukrainian Hryvnias and in thousands)

28. Contingencies and contractual commitments (continued)

Credit related commitments (continued)

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans. The Bank is exposed to potential loss on credit related commitments. However, due to its revocable nature, the Bank may refuse from granting loans due to the deterioration of the customer's solvency.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash needs, as those financial instruments may expire or terminate without being funded.

The letter of credit issued by the Bank were as follows:

	2021	**2020**
Confirmed import letters of credit	193,640	119,606
Non-confirmed import letters of credit	89,778	73,052
Cash collateral (Note 15)	(90,581)	(183,312)
Total letters of credit, less cash collateral	**192,837**	**9,346**

As at 31 December 2021, the allowance for letters of credit amounted to UAH 1,204 thousand (31 December 2020: UAH 78 thousand).

The guarantees issued were as follows:

	2021	**2020**
Guarantees and promissory notes	6,576,603	3,444,885
Cash collateral (Note 15)	(1,239,376)	(683,949)
Total guarantees and promissory notes, less cash collateral	**5,337,227**	**2,760,936**

As at 31 December 2021, the allowance for letters of credit amounted to UAH 270,512 thousand (31 December 2020: UAH 277,570 thousand).

The amount of undrawn revocable commitments to extend credit issued by the Bank as at 31 December 2021 was UAH 40,561,514 thousand (31 December 2020: UAH 24,228,750 thousand). Management considers the commitments to extend credit as revocable due to the fact that the Bank can stop further financing of the customer or early cancel the credit limit funds based on the agreements providing for a wide range of the trigger events for early cancellation of credit limits. Such events include, inter alia, a deterioration in the financial position of the customer, a reduction in cash flows to a customer's current account, loss of collateral or a significant decrease in its fair value, decisions of the regulatory authorities affecting the Ukrainian monetary market.

Movements in the allowance for credit-related commitments, guarantees, and letters of credit during the year ended 31 December 2021 were as follows:

Commitments, guarantees, and letters of credit	**Stage 1**	**Stage 3**	**Total**
Expected credit losses as at 1 January 2021	**8,815**	**268,833**	**277,648**
New commitments, guarantees, and letters of credit	14,177	−	14,177
Repaid commitments, guarantees, and letters of credit	(3,605)	−	(3,605)
Changes in expected credit risk estimation	(1,654)	13,664	12,010
Translation differences	(443)	(28,071)	(28,514)
As at 31 December 2021 (Note 17)	**17,290**	**254,426**	**271,716**

(In Ukrainian Hryvnias and in thousands)

28. Contingencies and contractual commitments (continued)

Credit related commitments (continued)

Movements in the allowance for other losses during the year ended 31 December 2021 were as follows:

	2021
Expected credit losses to cover other losses as at 1 January 2021	**3,722**
Charges to allowance for other losses during the reporting period	(1,200)
Effect of translation differences	(43)
As at 31 December 2021 (Note 17)	**2,479**

Movements in the allowance for credit-related commitments, guarantees, and letters of credit during the year ended 31 December 2020 were as follows:

Commitments, guarantees, and letters of credit	Stage 1	Stage 3	Total
Expected credit losses as at 1 January 2020	**4,822**	**123,913**	**128,735**
New commitments, guarantees, and letters of credit	7,527	−	7,527
Repaid commitments, guarantees, and letters of credit	(3,614)	(282)	(3,896)
Changes in expected credit risk estimation	(388)	96,988	96,600
Translation differences	468	48,214	48,682
As at 31 December 2020 (Note 17)	**8,815**	**268,833**	**277,648**

Movements in the allowance for other losses during the year ended 31 December 2020 were as follows:

	2020
Expected credit losses to cover other losses as at 1 January 2020	**3,529**
Effect of translation differences	193
As at 31 December 2020 (Note 17)	**3,722**

The analysis of credit related commitments, guarantees, and letters of credit as at 31 December 2021 was as follows:

As at 31 December 2021	Rating	Stage 1	Stage 2	Stage 3	Total
Letters of credit issued by the Bank					
Corporate customers	High rating	15,612	−	−	**15,612**
Corporate customers	Standard rating	235,932	−	−	**235,932**
Corporate customers	Below standard rating	31,874	−	−	**31,874**
Guarantees issued					
Corporate customers	High rating	3,596,659	−	−	**3,596,659**
Corporate customers	Standard rating	1,701,100	−	−	**1,701,100**
Corporate customers	Below standard rating	331,303	−	−	**331,303**
Corporate customers	Impaired	−	−	390,672	**390,672**
Banks	From B- to B+	321,665	−	−	**321,665**
Banks	Unrated	235,204	−	−	**235,204**

(In Ukrainian Hryvnias and in thousands)

28. Contingencies and contractual commitments (continued)

Credit related commitments (continued)

The analysis of credit related commitments, guarantees, and letters of credit as at 31 December 2020 was as follows:

As at 31 December 2020	Rating	Stage 1	Stage 2	Stage 3	Total
Letters of credit issued by the Bank					
Corporate customers	High rating	15,818	–	–	**15,818**
Corporate customers	Standard rating	25,730	–	–	**25,730**
Corporate customers	Below standard rating	151,110	–	–	**151,110**
Guarantees issued					
Corporate customers	High rating	2,148,621	–	–	**2,148,621**
Corporate customers	Standard rating	571,197	–	–	**571,197**
Corporate customers	Below standard rating	88,904	–	–	**88,904**
Corporate customers	Impaired	–	–	439,044	**439,044**
Banks	From A- to A+	310	–	–	**310**
Banks	Unrated	196,809	–	–	**196,809**

Corporate customers are rated using the internal rating model (Note 9). Credit rating of financial institutions is based on the rating assigned by Fitch. In the event a financial institution has not been assigned a rating by Fitch, but has ratings assigned by S&P or Moody’s, the relevant rating should be brought in line with that of Fitch.

29. Financial assets pledged as collateral

The Bank pledged the following assets as collateral:

	2021	2020
Carrying value of assets		
- Investments in securities measured at fair value through other comprehensive income	7,301,729	5,073,742
Total	**7,301,729**	**5,073,742**
Carrying value of relevant liabilities		
- Due to the Central Bank	5,693,029	4,200,554
Total	**5,693,029**	**4,200,554**

As at 31 December 2021, the Bank transferred the securities measured at fair value through other comprehensive income, with the carrying value of UAH 58,273 thousand (2020: UAH 59,950 thousand), to secure an off-balance sheet interest rate swap with the National Bank of Ukraine in the amount of UAH 500,000 thousand (2020: UAH 500,000 thousand), as well as securities, with the carrying value of UAH 1,984,243 thousand, transferred as collateral under a business agreement with the National Bank of Ukraine (2020: UAH 1,972,077 thousand).

(In Ukrainian Hryvnias and in thousands)

30. Related party transactions

For the purpose of these financial statements, parties are considered to be related if they are under common control or one party has the ability to control the other party or can exercise a significant influence over the other party in making financial and operating decisions, in accordance with the requirements of IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

In the normal course of business, the Bank enters into transactions with significant shareholders, entities under common control, and other related parties. These transactions include making settlements, granting loans, attracting deposits, financing commercial activities, and conducting foreign currency transactions.

The outstanding balances as at 31 December 2021 and 2020, as well as income and expense for the years ended 31 December 2021 and 2020 were as follows:

As at and for the year ended 31 December 2021	**Parent**	**Entities under common control**	**Management**	**Other related parties**
Assets				
Loans and advances to customers	–	441,538	513	121
(UAH – interest rate, % p.a.)	–	–	*(24.67)*	*(42.03)*
(USD, EUR – interest rate, % p.a.)	–	*(6.03)*	–	–
Allowance for loan impairment	–	(11,918)	(24)	(5)
Other financial and non-financial assets	3	6,875	95	–
Liabilities				
Customer accounts	(141)	(16,493,264)	(229,357)	(187,857)
(UAH – interest rate, % p.a.)	–	*(5.76)*	*(6.72)*	*(9.56)*
(USD, EUR – interest rate, % p.a.)	–	*(0.09)*	*(0.01)*	*(0.09)*
Other financial and non-financial liabilities	–	(6,036)	(6)	(18)
Credit related liabilities				
Revocable commitments to extend loans	–	502,789	820	497
Guarantees and avals	–	1,707,529	–	–
Letters of credit	–	34,056	–	–
Income/(expense)				
Interest income	–	43,881	138	1
Interest expense	–	(470,760)	(2,641)	(4,245)
Commission income	181	445,514	262	13,531
Other income	–	235	6	18
Charges to provision for commitments, guarantees, and letters of credit	–	(1,046)	–	–
Allowance for loan impairment	–	27,947	(10)	(3)
Operating expense and other income/(expense)	(375)	(43,663)	(840)	(1)

(In Ukrainian Hryvnias and in thousands)

30. Related party transactions (continued)

As at and for the year ended 31 December 2020	**Parent**	**Entities under common control**	**Management**	**Other related parties**
Assets				
Loans and advances to customers	–	597,389	500	65
(UAH – interest rate, % p.a.)	–	*(19.00)*	*(14.08)*	*(42.17)*
(USD, EUR – interest rate, % p.a.)	–	*(7.14)*	–	–
Allowance for loan impairment	–	(40,478)	(14)	(2)
Other financial and non-financial assets	3	4,550	13	–
Liabilities				
Customer accounts	(196)	(10,329,895)	(314,588)	(151,944)
(UAH – interest rate, % p.a.)	–	*(5.41)*	*(6.03)*	*(8.87)*
(USD, EUR – interest rate, % p.a.)	–	*(0.19)*	*(0.73)*	*(1.02)*
Other financial and non-financial liabilities	–	(33,100)	(6)	(21)
Credit related liabilities				
Revocable commitments to extend loans	–	576	906	523
Guarantees and avals	–	1,036,904	–	–
Letters of credit	–	168,647	–	–
Income/(expense)				
Interest income	–	46,616	56	3
Interest expense	–	(290,058)	(6,581)	(15,585)
Commission income	163	422,884	434	9,765
Commission expense	–	(198)	–	–
Other income	–	34,557	5	17
Charges to provision for commitments, guarantees, and letters of credit	–	(2,465)	–	–
Allowance for loan impairment	–	33,585	(1)	(1)
Operating expense and other income/(expense)	63	(114,617)	(667)	(1)

Interest rate on loans to management in the form of credit cards and overdrafts amounted to 35.88% after grace period and 0.01% under consumer loans (effective rate: 49.27%), both for 2021 and 2020.

Allowance for loan impairment in respect of loans to related parties was created on a collective basis.

During the years ended 31 December 2021 and 2020, the Bank conducted transactions on insurance of lease items held by a related party, with such expenses compensated by leaseholders and included into the effective rate. Total expense for the year ended 31 December 2021 amounted to UAH 12,137 thousand (2020: UAH 14,400 thousand). During the years ended 31 December 2021, the Bank received UAH 2,896 thousand of reimbursements on such lease items.

During the year ended 31 December 2021, changes in the amount of loans to related parties were as follows:

	Parent	**Entities under common control**	**Management**	**Other related parties**
Loans to related parties granted during the year	–	33,463	211	56
Amounts repaid by related parties during the year	–	(167,764)	(225)	–
Translation differences and other changes	–	(21,550)	27	–

(In Ukrainian Hryvnias and in thousands)

30. Related party transactions (continued)

During the year ended 31 December 2020, changes in the amount of loans to related parties were as follows:

	Parent	Entities under common control	Management	Other related parties
Loans to related parties granted during the year	–	118,857	305	46
Amounts repaid by related parties during the year	–	(495,757)	(182)	(4)
Translation differences and other changes	–	56,075	(2)	–

During the year ended 31 December 2021, remuneration to 10 members of the Management Board comprised salaries in the amount of UAH 85,075 thousand (2020: UAH 83,711 thousand), mandatory contributions to the state funds in the amount of UAH 2,393 thousand (2020: UAH 1,876 thousand), and allowance for additional remuneration payment in the amount of UAH 255,049 thousand (2020: UAH 98,945 thousand). For the 12 months of 2021, payments to five members of the Supervisory Board amounted to UAH 21,488 thousand (12 months of 2020: UAH 19,368 thousand) and mandatory contributions to the state funds in the amount of UAH 1,414 thousand (2020: UAH 953 thousand). For the 12 months of 2021, remuneration to important persons of the Bank amounted to UAH 6,685 thousand (12 months of 2020: UAH 6,511 thousand), including mandatory contributions to the state funds in the amount of UAH 949 thousand (2020: UAH 375 thousand) and allowance for payment of additional benefits in the amount of UAH 802 thousand (2020: UAH 696 thousand).

31. Earnings per share

Basic earnings per share are calculated by dividing annual net profit or loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period, without taking into account treasury shares repurchased from shareholders. The Bank has no converted preferred shares, thus, diluted earnings per share is equal to basic earnings per share.

	2021	2020
Profit for the reporting period	4,187,592	2,608,093
Weighted average number of ordinary shares outstanding during the period	14,323,880	14,323,880
Earnings per share, basic and diluted (in UAH per share)	**292.35**	**182.08**

32. Changes in liabilities relating to financing activities

Changes in cash flows from financing activities as recorded in the statement of cash flows for the years ended 31 December 2021 and 2020 were as follows:

	Dividend liabilities	Lease liabilities
Carrying amounts as at 31 December 2019	**–**	**294,619**
Distribution of retained earnings to dividend payments (Note 19)	2,000,043	–
Repayment	(2,000,043)	(143,085)
Other	–	177,105
Carrying amounts as at 31 December 2020	–	**328,639**
Distribution of retained earnings to dividend payments (Note 19)	1,304,046	–
Repayment	(1,304,046)	(154,242)
Other	–	205,571
Carrying amounts as at 31 December 2021	**–**	**379,968**

The item “Other” includes modifications of leases and lease interest paid which, in the statement of cash flows, is related to cash flows from operating activities. The Bank classifies the interest paid as cash flows from operating activities.

(In Ukrainian Hryvnias and in thousands)

33. Capital

The Bank maintains an actively managed capital base to cover risks inherent in the banking business. The adequacy of the Bank's capital is monitored by using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the National Bank of Ukraine. Management believes that the total capital under management is equal to the total regulatory capital.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximize the shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and risks associated with its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amounts of dividend payments to shareholders, return the capital to shareholders, or issue capital securities. There were no changes in the objectives, policies, and processes compared to the previous years.

Capital adequacy ratio established by the National Bank of Ukraine

The NBU requires that all banks maintain a capital adequacy ratio at the level of 10% of risk-weighted assets calculated in accordance with Ukrainian Accounting Standards. As at 31 December 2021 and 2020, the Bank complied with the capital adequacy ratio and the amount of regulatory capital.

Regulatory capital consists of the core capital which comprises paid-in registered share capital, share premium, and reserves created in accordance with the Ukrainian legislation, less net book value of intangible assets and losses of current and prior years decreased by the amount of accrued and outstanding income not received for more than 30 days, overdue accrued income, net of the provision for overdue accrued interest. In addition, the core capital is decreased by the amount by which uncovered credit loss exceeds the prior and current year income and the amount of non-core assets. Another component of the regulatory capital is additional capital which includes standard provisions for interbank and customer loans, property, plant and equipment revaluation surplus, current year profit decreased by the amount of accrued and outstanding income not received for more than 30 days, overdue accrued income, net of the provision for overdue accrued interest, long-term subordinated debt, retained earnings of prior years decreased by the amount of uncovered credit risk.

As at 31 December 2021 and 2020, the Bank complied with the regulatory requirements to capital.

The NBU performs stress testing on a regular basis by using certain stress test assumptions to check whether banks comply with the regulatory requirements. In the event results of stress testing show that the required capital adequacy could fall below the required level in the future, the NBU may require that banks increase the regulatory capital above the minimum regulatory requirements.

As at 31 December 2021 and 2020, the Bank's capital adequacy ratio calculated in accordance with the Basel I requirements was as follows:

	2021	**2020**
Tier 1 capital		
Share capital	4,780,595	4,780,595
Share premium	101,660	101,660
Statutory reserve	2,909,909	1,605,862
Retained earnings	4,206,973	2,616,939
Total Tier 1 capital	**11,999,137**	**9,105,056**
Tier 2 capital		
Assets revaluation surplus	562,156	578,955
Total Tier 2 capital	**562,156**	**578,955**
Total capital	**12,561,293**	**9,684,011**
Capital adequacy ratio at the reporting date		
Risk weighted assets	67,647,323	50,139,651
Total capital	12,561,293	9,684,011
Capital adequacy ratio (%)	**18.57%**	**19.31%**

34. Events after the reporting period

From the perspective of 2022 – the time of the financial statements preparation, Ukraine wages fight against the full-scale military aggression of the Russian Federation. On 21 February 2022, Russia recognized the occupied territories in Luhanska and Donetska Regions as independent republics and, on 24 February 2022, Russia started its military invasion of Ukraine resulting in a full-scale war across the Ukrainian state.

The President of Ukraine issued Decree No. 64/2022 dated 24 February 2022 “On Imposition of the Martial Law in Ukraine” that was approved by the Law of Ukraine No. 2102-IX dated 24 February 2022 “On Approving the Decree of the president of Ukraine “On Imposition of the Martial Law in Ukraine” which is still in force at the date these financial statements were authorized for issue.

The ongoing military attack has led, and continues to lead, to significant damage to infrastructure, dislocation of the population, and disruption to economic activities in Ukraine and brings a significant adverse impact on business environment in Ukraine, including the ability of many entities to continue as a going concern in the normal course of business. Many Ukrainian cities suffered a substantial damage as a consequence of the continuous missile and shell attacks, resulting in thousands of deaths and injuries, including among civilians. Before 22 July 2022, sea export transactions in the Black Sea area were fully suspended, and the ports were blocked. Transportation of goods inbound and outbound was performed by railway and trucks. Airports, many roads, and bridges are closed, have been damaged or destroyed, further crippling transportation and logistics. The situation remains highly fluid, and further developments are subject to extraordinary uncertainty. On 22 July 2022, in Istanbul, the representatives of Ukraine signed an agreement with Turkey and the UNO on de-blocking seaports and restoring exports of grains that had been blocked in the Black Sea ports as a result of the war. A ‘mirror’ agreement with Turkey and the UNO was also signed by the Russian Federation.

For the purpose of ensuring the reliability and stability of the banking system, the National Bank of Ukraine has introduced a range of measures aimed at safeguarding the continuous operations of the banking system of Ukraine and adopted anti-crisis decisions, among which: suspended/restricted operations of the currency and stock exchange markets, introduced limitations on cash withdrawals, ensured support of banks with cash, extended available volumes of refinancing amounts for banks through an anticipated possibility of blank lending in the amount of up to 30% of a bank’s portfolio of individual deposits as at 23 February 2022, extended terms of currently available refinancing loans up to 1 year, etc.

From the onset of the invasion, the NBU has introduced a range of temporary protective measures, such as restriction of cross-border payments in foreign currency, fixing the official exchange rate for major currencies (on 21 July 2022, the NBU adjusted the official UAH/USD exchange rate by 25% to UAH 36.5686 per USD 1). From the onset of the invasion, the NBU fixed the discount rate at the level of 10% due to the forced administrative restrictions, however, later, in June, it increased it to the level of 25%. The NBU stated it would revert to the traditional format of inflation targeting with a floating exchange rate after the economy and financial system return to their normal operational mode. The Ukrainian Government continues to service external debt obligations, and the banking system remains operational. Cash withdrawals from customer accounts are limited to the amount of UAH 100,000 per day, except for payroll payments and transactions of entities and institutions that ensure the fulfillment of mobilization plans, the Government, and certain permissions of the NBU.

Effective from February 2022, the consumer inflation rate increased in annual terms and reached the level of 23.8% in August because of the disruption of supply chains and production processes, uneven demand, increased business costs, physical destruction of assets of many companies caused by the Russian attack on Ukraine.

The Ukrainian Government received financing and donations from international organizations, along with individual countries, and charities to support financial stability, social related payments, and military needs. On 9 March 2022, the International Monetary Fund (the “IMF”) approved an additional financing for Ukraine under an emergency support program known as the Rapid Financing Instrument (“RFI”) in the amount of USD 1.4 billion. In March-April 2022, the European Bank for Reconstruction and Development (the “EBRD”) announced an initial resilience package of EUR 2 billion directed for the support of citizens, companies, and countries affected by the war in Ukraine. The European Union provided to Ukraine the macro-financial support in the amount of EUR 1.2 billion in the first half-year of 2022 and, in July, the European Parliament voted for granting an additional support in the amount of EUR 1 billion. In March 2022, the US Senate provided a final approval for the USD 13.6 billion emergency package of military and humanitarian aid to Ukraine. In May 2022, the USA adopted the Law on Lend-Lease Program for Ukraine and another package of military and humanitarian support for USD 40 billion. As of mid-June, the total amount of the stated financial support to Ukraine from the beginning of the war amounted to USD 30 billion, and the actually received financial support – USD 7.4 billion.

Effective from March 2022, the Ministry of Finance of Ukraine has been conducting tenders in respect of sales of military bonds, which allowed to raise over UAH 100 billion as at late June 2022.

34. Events after the reporting period (continued)

On 15 March 2022, the Verkhovna Rada of Ukraine introduced some changes to the tax legislation and adopted the Law of Ukraine No. 2120-IX "On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period".

On 23 June 2022, the European Council summit in Brussels decided to provide Ukraine with the candidate status to the European Union. Ukraine is going to become a participant of the EU programs and initiatives opened for candidates.

The National Bank of Ukraine has determined JSC "FUIB" as a critical infrastructure facility in the banking system of Ukraine and included it into a list of systemically important banks (Resolution of the NBU's Board No. 120-рш dated 9 February 2022), the functioning of which ensures the stability of the banking system, has a significant value for the economy and security of the country.

The situation remains highly fluid, and further developments are subject to extraordinary uncertainty. The economy of the country has experienced serious consequences.

In the foreseeable future, the Bank is not planning to change its business model as a result of the imposed martial law and continues operating as a universal bank that offers a full range of banking services to all categories of customers. The Supervisory Board, the Management Board, and committees of the Supervisory Board continue performing their functions. The Bank's employees have been relocated to safe places, and the Bank has arranged for fulfilling by them their functions without a loss of control and without stopping important processes.

At the date these financial statements were authorized for issue, the Bank continued operating, with reference to the restrictions imposed at the state level. The Bank's management controls all its operations. The Bank's efforts are aimed at reducing risks to lives and health of employees and customers, therefore, the Bank was forced to suspend operations in a part of outlets and servicing a part of ATMs. The Bank ensures the seamless work of its outlets, provided there is no threat to lives and health of people and employees of the Bank.

Signed on behalf of the Management Board on 7 October 2022.

S. P. Chernenko (Chairperson of the Management Board)

K. O. Shkoliarenko (Chief Financial Officer)

O. O. Poleshchuk (Chief Accountant)

(In Ukrainian Hryvnias and in thousands)

Section I. Management report

Nature of business

JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK” (hereinafter, the “Bank” or “FUIB”) was established on 20 November 1991. The Bank commenced its operations in April 1992. The Bank provides a full range of banking services, including attracting deposits and granting loans, investing in securities, servicing payments in Ukraine and transferring funds abroad, exchanging currencies, issuing and processing transactions with payment cards.

The Bank is a member of the Individual Deposit Guarantee Fund effective from 2 September 1999 (Registration Certificate # 102 dated 6 November 2012), which operates in accordance with the Law of Ukraine # 2740-III “On Individual Deposit Guarantee Fund”. The Individual Deposit Guarantee Fund ensures the repayment of individual deposits up to UAH 200 thousand per individual (2020: UAH 200 thousand).

As at 31 December 2021 and 2020, the Bank’s shareholders were SCM FINANCE (92.3% in the share capital) and SCM HOLDINGS LIMITED (Cyprus) (7.7% in the share capital). The ultimate controlling party of the Bank is Mr. R. L. Akhmetov, a citizen of Ukraine.

The Bank’s registered address is at: 4 Andriivska Str, Kyiv, Ukraine. As at 31 December 2021, the Bank had six regional centers and 242 outlets in Ukraine (31 December 2020: six regional centers and 218 outlets in Ukraine).

FUIB is a universal bank that has been operating in the Ukrainian financial market for more than thirty years and servicing large and medium enterprises, small and medium entities, and private individuals.

FUIB is included into the group of the largest banking institutions of the country according to the classification of the National Bank of Ukraine. The Bank is among TOP-10 Ukrainian banks in terms of key financial performance indicators, such as volume of assets, equity, loan portfolio, amounts from corporate clients, private individuals, and others.

In accordance with the Law of Ukraine “On Banks and Banking” and on the basis of the licenses and written permissions obtained from the National Bank of Ukraine, FUIB is engaged in the following activities:

- Accepting deposits from legal entities and individuals;
- Opening and maintaining current accounts of banks and customers;
- Placing attracted funds on its own behalf and at its own risk;
- Providing guarantees, sureties, and other obligations from/to third parties;
- Providing custody services, renting safe-deposits for valuables and documents;
- Issuing, purchasing, selling, and servicing checks, promissory notes, and other negotiable payment instruments;
- Issuing payment cards and processing card transactions;
- Carrying out foreign currency operations;
- Carrying out securities purchase and sale transactions on its own behalf and on behalf of clients;
- Issuing its own securities;
- Investing in statutory funds and shares of other legal entities;
- Performing depositary activities and inscribed securities register keeping.

The year of 2021, alongside with the struggle against the pandemic, has turned out to be no less rich in new and old challenges – both for Ukraine and the whole world. From the perspective of 2022 – the time of the report preparation and Ukraine’s fight against the full-scale military aggression of Russia, the events of 2021 are rather perceived like a wind before a storm, in the face of which the financial system of Ukraine has succeeded in preparing, to some extent, for the upcoming most severe trials – the war sufferings.

On 21 February 2022, Russia recognized the occupied territories in Luhanska and Donetska Regions as independent republics and, on 24 February 2022, Russia started its military invasion of Ukraine resulting in a full-scale war across the Ukrainian state. The ongoing military attack has led, and continues to lead, to significant damage to infrastructure, dislocation of the population, and disruption to economic activities in Ukraine. All ports in the Black Sea area stopped to work, and exports made via sea ports was fully suspended. Transportation of goods inbound and outbound is performed by railway and trucks. Airports, many roads, and bridges are closed, have been damaged or destroyed, further crippling transportation and logistics. The situation remains highly fluid, and further developments are subject to extraordinary uncertainty. The economy of the country has experienced serious consequences. The Government has introduced a range of emergency measures to stabilize the economy.

In February, March, April, May, June, and July 2022, the inflation rate increased in annual terms up to 10.7%, 13.7%, 15.9%, 18%, 21.5%, and 22.2%, respectively, because of the disruption of supply chains and production processes, uneven demand, increased business costs, physical destruction of assets of many companies caused by the Russian attack on Ukraine.

The year of 2021 is remembered by the improved epidemiological situation, though economic forecasts have been consistently adjusted to reflect the constantly changing occurrence rate of COVID-19, vaccination rates, appearance and fast spread of new virus strains that forced to return to lockdown restrictive practices. The process of overcoming consequences and negative trends that had been shaped under the impact of COVID-19 pandemic was complicated by slow economic growth, high inflation pressure, and intensified threats against geopolitical radicalization.

In spite of such tough conditions and close dependence on external factors, Ukraine completed the year in the trend of economic growth, restored lending and investing activities, successful getting over the peak of inflation, enjoying the stable monetary unit, steady currency reserves, as well as strong and reliable banking sector and updated and more transparent non-banking financial services market.

The year of 2021 has been characterized by though slow, but continuous recovery of the economy after the ruinous pandemic shock. It is very important that Ukraine has succeeded in preserving macroeconomic stability and slowing down the spread of COVID-19, launching the economy support programs, and restore economic growth. Based on the year results, real GDP grew by 3.4% after the drop in 2020 by 4%. International reserves, in spite of significant payments under external obligations, in late 2021, reached their nine-year maximum – USD 30.9 billion.

After the coronavirus crisis of 2020, almost all types of economic activities increased their production volumes as at the 2021 year-end, and a high rate of prices in the global commodity markets only added to the recovery of the economy. In particular, the recovery and growth rates were demonstrated by such industries as heavy engineering (especially mining and metallurgy), construction, transport and passenger transportation, however, the important factors for that were a previous year drop and "low statistical base". At the same time, retail business continued to grow, although wholesale trade was shrinking most of the year.

Large scale investments of agrarians into seeds, mineral fertilizers, plant protection means, innovation technologies implemented, comprehensive restoration of irrigation systems, and favorable weather conditions – all this on the whole allowed harvesting record volumes of grains in 2021. However, since over half of grown food supplies are exported by Ukraine and, in the case with grains (which are simultaneously used as cattle fodder), the portion of exports exceeded 80%, prices for cereals, oil, meat, and food-stuffs in general, still increased for people and were similar to prices in the global market.

One of the positive investment factors included the launch of the land market that started to function effective from July 2021. By the end of the year, Ukrainians entered into 77.8 thousand agreements on purchases and sales of agricultural lands. All buyers are individuals and citizens of Ukraine: in its present state, the land market does not presuppose the participation of either commercial companies or non-residents. The maximum limit is 100 ha of lands per person. Effective from 1 January 2024, the limit is planned to be increased to 10 thousand hectares per person, and the right to purchase land may be obtained by legal entities, if their owners are not represented by foreigners. The land market is supposed to bring in the European rules and will promote investments into the domestic agribusiness.

During most of the year, the NBU maintained stimulating monetary policies to promote the economy's return to the growth path. During the year ended 31 December 2021, currency interventions demonstrated a positive balance in the amount of USD 2.4 billion, which allowed increasing international reserves (growth by 6%). At the same time, this did not hinder strengthening of UAH observed during most of the year, which created conditions for breaking down the inflationary bias. During 2021, the inflation rate in Ukraine remained a little bit higher than the target range of 5% ± 1 pp as a result of both external and internal factors, but, having slowed down, as at the 2021 year-end, the inflation rate amounted to 10%. The discount rate was increased by 3 pp – from 6% in January to 9% in December.

During the year ended 31 December 2021, the banking system managed to maintain stability, good capitalization, liquidity, and profitability.

During the year, net assets of banks grew by 12.8% mostly due to the accelerated increase in lending activities to individuals and business. At the same time, growth rates of banks' investments in domestic government loan bonds ("DGLBs") significantly decreased, in particular, state-owned banks dramatically decreased their investments in government bonds. The excess liquidity of banks was invested into the deposit certificates issued by the NBU.

A portion of state-owned banks in net assets for the year reduced in favor of private banks by 5.8 pp – to 46.7%. The level of sector concentration gradually decreased: top 20 banks held almost 90% of total net assets in the sector.

(In Ukrainian Hryvnias and in thousands)

The soft monetary conditions maintained helped ensure the active restoration of banks' lending activities: the year of 2021 observed the highest growth rates since 1913 in both corporate and retail loan portfolios – to about 40% y/y.

Mortgage lending grew at a higher rate: the growth of net UAH-denominated loans for the purchase and reconstruction of real estate at the end of 2021 exceeded 60% y/y. The main catalysts for mortgages were low interest rates and government support.

The share of non-performing loans decreased by 11.0 pp over the year – to 30%. State-owned banks made the biggest contribution to this reduction.

In 2021, the inflow of funds into the banking system continued. Thus, UAH-denominated deposits of the population increased by 15.3% y/y, while foreign currency deposits decreased by 1.8% y/y in USD terms due to the outflow of term funds. The share of the funds of people on current UAH-denominated accounts grew rapidly over the past two years, reaching a record 57% at the end of the year as a result of significant payments to the population.

Funds of business entities in UAH increased by 26.4% y/y, in foreign currencies – by 3.9% y/y in USD equivalent.

Thanks to low interest rates on deposits in foreign currencies, further natural de-dollarization of banks' balance sheets continued.
During the year, banks had enough liquidity to absorb shocks. The majority of banks fulfilled the LCR short-term liquidity norm with a significant margin. From 1 April 2021, the introduction of the Net Stable Funding Ratio (NSFR) began at the level of 80%, with its gradual increase by 10 pp every six months. By the end of 2021, all banks had already fulfilled the NSFR requirements at the level of more than 100%.

In 2021, banks received the highest profit in history – UAH 77.4 billion. The average return on capital of the sector increased to 35%. Adequate provisioning in previous years and conservative credit standards have reduced the level of credit risks. Due to high profits, banks were able to form capital buffers and actively lend to the economy.

Management bodies and corporate governance

During 2021, the Supervisory Board of the Bank performed its duties directed to protect the rights of depositors, other creditors, and the Bank's shareholders' and, within its authority limits defined by the Bank's Charter and the Ukrainian legislation, directed and controlled the activities of the Bank's Management Board. The Supervisory Board of the Bank participated in all important and strategic decisions according to its authority limits and after conducting a deep analysis of the events and the situation in the banking sector.

In 2020, the Management Board of the Bank provided information to the Supervisory Board on a regular basis and reported in a timely manner and comprehensively on: the strategy and business plan implementation, the Bank's performance, changes in regulatory requirements, execution of risk management policies and strategies, functioning of the internal control system, etc. Thus, the Supervisory Board of the Bank continuously performed oversight and advisory functions after in-depth analysis and taking into account all relevant facts.

The Supervisory Board of the Bank, in its activities, is governed by the laws of Ukraine "On Banks and Banking", "On Joint Stock Companies", other laws and regulations of Ukraine, regulations of the National Bank of Ukraine, the Charter of the Bank, decisions of the General Shareholders' Meetings, as well as the Bank's Regulation "On the Supervisory Board of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK"".

Members of the Supervisory Board as at the end of 2021 were as follows:

Members of the Supervisory Board

Popov, Oleh Mykolaiovych	Chairperson of the Supervisory Board;
Duhadko, Hanna Oleksandrivna	Member of the Supervisory Board;
Povazhna, Marharyta Viktorivna	Member of the Supervisory Board;
Katanov, Georgi Bogomilov	Member of the Supervisory Board;
Kurilko, Serhii Yevhenovych	Member of the Supervisory Board;
Stalker, Catherine Elizabeth Ann	Member of the Supervisory Board – Independent Director;
Grasmanis, Ansis	Member of the Supervisory Board – Independent Director;
Mikhov, Valentyn Liubomirov	Member of the Supervisory Board – Independent Director.

(In Ukrainian Hryvnias and in thousands)

The Management Board meetings' agendas in the year 2021 usually included consideration of the following issues: major events to be covered in the report to the Supervisory Board of the Bank; results of monthly, quarterly, semi-annual, and annual performance of the Bank; approval of new branches opening and selection of premises for them; internal audit reports on the Bank's structural divisions and business processes inspection; risk management effective system implementation status; standard quarterly risk management reports (on risk appetite indicators, on interbank placements and investment securities transactions, prudential ratios compliance for relevant periods of the year 2021, including adherence to compliance risk tolerance limits, etc.); reporting on the Bank's regulatory audit status; monthly review of clients' complaints; social engineering; periodic review of the Bank's IT management reports; list of related parties monthly review and approval; internal regulations review and approval, as well as preliminary consideration of issues submitted for the Supervisory Board approval.

Members of the Management Board as at the end of 2021 were as follows:

Members of the Management Board

Chernenko, Serhii Pavlovych	Chairperson of the Management Board;
Rubaj, Sebastian	Deputy Chairperson of the Management Board;
Kosenko, Nataliia Feliksivna	Deputy Chairperson of the Management Board;
Shkoliarenko, Kostiantyn Oleksandrovych	Deputy Chairperson of the Management Board – Chief Financial Officer (CFO);
Zahorodnykov, Artur Hermanovych	Deputy Chairperson of the Management Board;
Kostiuchenko, Tetiana Vasylivna	Deputy Chairperson of the Management Board;
Yeremenko, Fedot Yevheniiovych	Deputy Chairperson of the Management Board – Chief Risk Officer (CRO);
Skalozub, Leonid Pavlovych	Deputy Chairperson of the Management Board;
Mahdych, Serhii Borysovych	Deputy Chairperson of the Management Board;
Horbenko, Hanna Valeriivna	Member of the Management Board, Director of Financial Monitoring Department.

Within its corporate governance, the Bank is governed by the Corporate Governance Code of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" as adopted by the Extraordinary General Shareholders' Meeting on 27 November 2018. The Code is publicly available at https://about.pumb.ua/management.

Before adopting the Corporate Governance Code of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" on 27 November 2018, the Bank was governed by the following main corporate governance principles:

- Honesty, integrity, and respect in relations with owners (shareholders) and investors, as well as constant readiness to ensure adequate protection of their interests and maximize their wealth;
- Avoidance of unreasonably complex and excessively costly procedures to exercise the rights of the Bank's shareholders, while complying with the Ukrainian legislation and the Charter of the Bank;
- Equal treatment of all shareholders, including open communications with minority ones;
- Determining strategic objectives of the Bank and monitoring their implementation;
- Implementing high-quality and effective management system in the Bank;
- Accountability of the Management Board to the General Shareholders' Meeting and to the Supervisory Board of the Bank, which controls the activities of the Management Board;
- Setting standards, rules, and practices of corporate behavior for all employees of the Bank and the procedures of informing on misconduct, including fraud or corruption, according to the Bank's Code of Conduct that reflects key principles and standards of the Bank;
- Effective management of compliance and other risks which the Bank faces, including conflict of interests in order to protect the interests of its depositors, clients, counterparties, owners (shareholders), and employees in accordance with the Bank's internal procedures implemented;
- Transparency of the Bank's activities which is ensured by timely disclosure of accurate, objective, and relevant information on the activities undertaken;
- Responsibility which relates to the Bank's recognizing the rights of all interested parties assigned by the current legislation of Ukraine and the Bank's focus on the mutually beneficial cooperation with those parties to ensure financial stability and development of the Bank.

(In Ukrainian Hryvnias and in thousands)

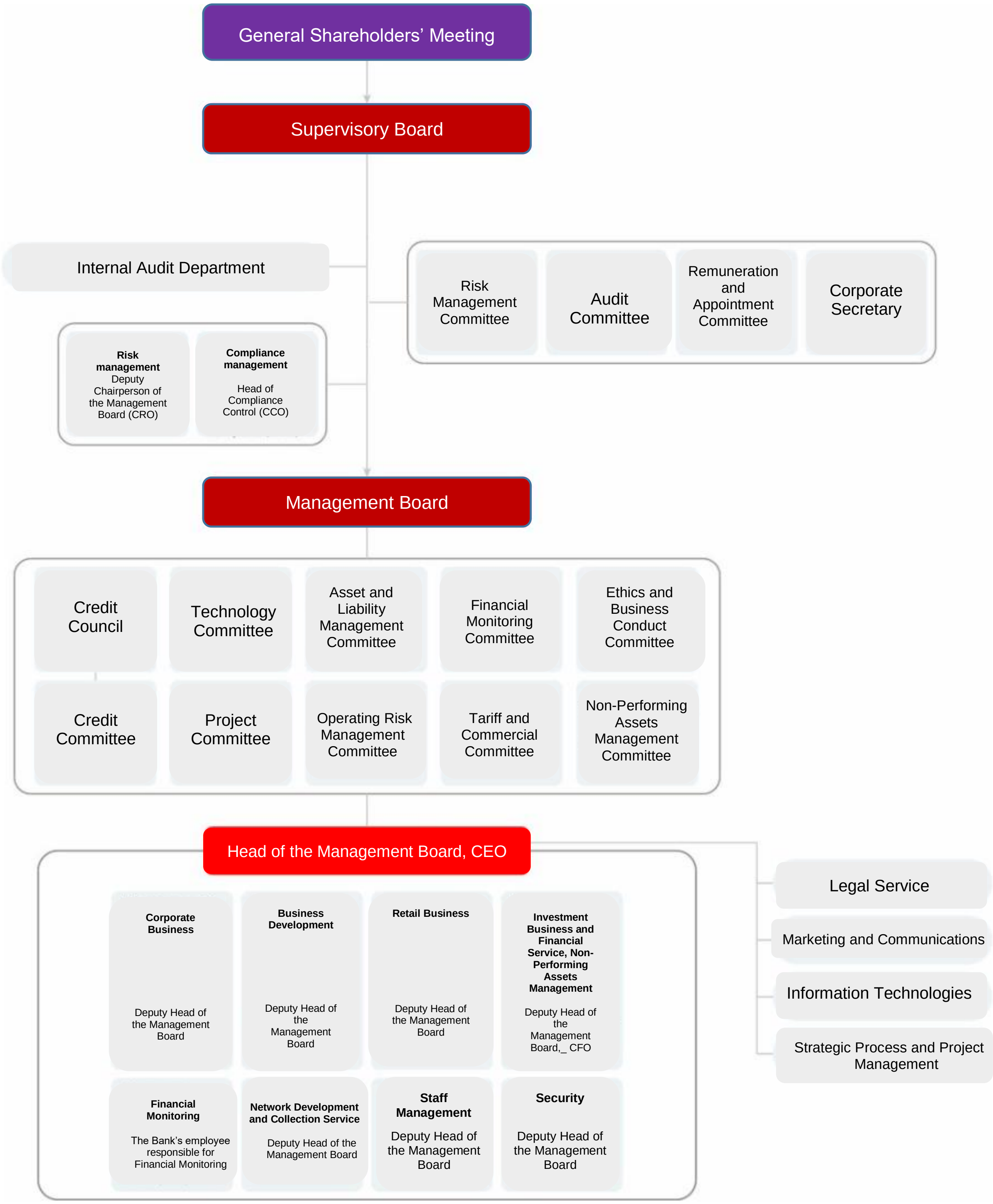
The Bank has a defined and functional transparent corporate governance structure in place that provides for:

- General management at the highest level by the General Shareholders' Meeting of the Bank;
- Regulation and control by the Supervisory Board of the Bank, with the delegation of some of its powers to the Supervisory Board's committees or working groups established in accordance with the effective legislation, the Charter of the Bank, and other internal documents and decisions of the Supervisory Board, which act on the basis of the regulation approved by the Supervisory Board;
- Managing operating activities by the Management Board, with the delegation of some of its powers to the Management Board's committees established in accordance with the effective legislation, the Charter of the Bank, and other internal documents and decisions of the Management Board, which act on the basis of the regulation approved by the Management Board;
- Segregation of duties among all units of the Bank using the model of three lines of defense to create the Bank's risk management system, which should provide for ongoing risk analysis to make timely and adequate management decisions in order to mitigate risks and reduce the associated losses.

The Bank's shareholders, the General Shareholders' Meeting, the Supervisory Board, the Management Board are subjects of the corporate governance structure, together with the Corporate Secretary as the person responsible for the Bank's interaction with shareholders and fulfilling other functions in the field of corporate governance.

(In Ukrainian Hryvnias and in thousands)

The existing corporate governance model provides for a high level of organization, which is supported by the Bank's impeccable reputation in the market. At the core of FUIB activities are effective functions of control and risk management, as well as timely response to legislative changes:



(In Ukrainian Hryvnias and in thousands)

Management's objectives and strategies for achieving them

FUIB strives to remain one of the leading players in the Ukrainian banking market, above all in service quality, innovations and technology, while providing the best in industry economic effect for shareholders in terms of business value appreciation and return on invested capital.

FUIB is a universal bank of national scale that offers leading financial products and services to both legal entities and individuals.

FUIB conducts a transparent business and values its reputation.

FUIB's main principle is maximum client orientation and in-depth understanding of their needs, as well as building a business structure in accordance with the best international standards.

In accordance with the Development Strategy, the Bank is going to take measures on improving the business management system and increasing the efficiency of business processes. An important component of internal changes will be the upgrading of the Bank's staff skills. The implementation of the Bank's internal improvement projects aims at supporting the development of commercial activities, reducing operating costs, and provide for tight control over varied risks.

The Bank's main objective is to achieve a position of modern, universal, and competitive bank in Ukraine, a leader in rendering banking services that would satisfy the needs of customers in state-of-the-art banking and financial instruments.

To increase profits and intensify the efficiency of its business activities, the Bank is going to further support and develop retail and small businesses, increase its customer base by building lasting trust-based relations with customers, expand the Bank's network, reengineer processes, automate, increase stability, and optimize business processes.

The main directions of development within the Development Strategy are as follows:

- Focus on building an efficient and sustainable banking model;
- Concentration on two main customer segments: corporate and retail;
- Diversification of the resource base by sources and loan portfolio by major borrowers and industries;
- Ensuring high liquidity ratios;
- Risk control and maintaining the level of provision costs at planned levels with the help of rigorous borrowers' selection
- Implementing the best banking services standards.

FUIB is an innovative bank ready to outperform the market by using technologies. The Bank introduces new products and processes in customer service, by using both traditional and alternative channels for providing financial products and services. At the same time, FUIB improves quality of the services and develops individual solutions for customers, which will increase the market share in each of the product and customer segments. Such development is aimed at achieving the business objectives set out by the Development Strategy and supporting changes to the management model that require the introduction of new modern mechanisms and a qualitatively different level of management information.

Expenditures for development in 2021 are aimed at implementing the Bank's approved Development Strategy in the Ukrainian banking market.

The main criteria for the Bank's success are to fulfill the planned targets: by the number of customers actively engaged in operations with the Bank, customers' satisfaction with banking services, the share of non-performing loan portfolio, return on equity, and net profits.

The Bank regularly carries out operating monitoring of the objectives implementation and introduces the best banking practice standards to put them into action.

Risks and resources

Resources

The Bank's customers are represented by a significant number of individuals and entities from various industries. Payment cards business plays an important role in expanding the customer base.

The Bank is a principal member of the international payment systems of Visa and MasterCard and operates its own processing center, which serves a large number of cards from other domestic banks. The presence of a widely-developed network of own ATMs and the Bank's affiliation with the financial and industrial group contribute to attracting a large number of enterprises for servicing payroll projects.

The resource base of FUIB is diversified by sources of attraction (clients' funds, funds attracted in international markets, funds from domestic banks, etc.) and by major counterparties, client deposit portfolio – by major depositors, and funds of legal entities – by types of economic activities. This diversification mitigates the sensitivity to liquidity risk.

In 2021, total customer accounts increased by 40.7%, accounts of individuals increased by 29.3%, and amounts of corporate clients increased by 51.0%. As a result, the share of corporate accounts in total amounts due to the Bank's customers increased from 52.5% to 56.4%, while the share of retail accounts decreased from 47.5% to 43.6%.

FUIB is a universal bank. The main share of loan portfolio belongs to corporate customers. The share of retail business is about one third from the total customer loan portfolio. Short-term loans prevail in the loan portfolio by the terms of using borrowed funds, and loans to finance current activities by the target apportionment. Diversification of corporate loan portfolio of the Bank by types of economic activities is acceptable.

Taking into account the currency structure of customer accounts and attraction of funds in international markets, about a quarter of the clients' loan portfolio included foreign currency denominated loans granted in freely convertible currencies. In terms of the borrowers with foreign currency denominated loans, the vast majority is among the largest business entity borrowers. The absence of foreign currency inflows from certain borrowers increases the Bank's sensitivity to currency and credit risks. Loans from Top-20 largest borrowers constitute 14% of the total loan portfolio, before allowance for expected credit losses (31 December 2020: 19%). Currently, the customer loan portfolio is diversified by major borrowers. The concentration of loans in relation to the Tier 1 capital, which varies depending on the change in the volume and structure of regulatory capital, was due to the devaluation of the national currency in 2014, taking into account the currency structure of loans to the largest borrowers.

The quality of the loan portfolio is acceptable. As at 31 December 2020, the share of loans to legal entities of Class 10 and loans to individuals of Class 5 (assessed in accordance with Resolution No. 351 of the National Bank of Ukraine) amounted to 7.3%.

For the purpose of mitigating the sensitivity to credit risk, a significant amount of funds was directed to create allowances for active operations. The allowances created covered the loan portfolio by 9.1% (31 December 2020: 12,7%).

A significant amount of funds on current customer accounts increases the Bank's sensitivity to liquidity risk. Diversification of the resource base by major lenders reduces the Bank's sensitivity to liquidity risk. The quality of the resource base is acceptable.

The operating efficiency ratio during the reporting period was high. The Bank generates a stable positive cash flow both on interest-bearing assets and on commissions and trading activities. Results of FUIB's activities as at the 2021 year-end were profitable. This profitable performance of the Bank during the reporting period was additionally fortified by successful collections of previously written off bad debts.

Quality of FUIB's equity was satisfactory, and FUIB's capital adequacy ratio was acceptable. According to the asset quality analysis conducted by the National Bank of Ukraine, there was no capital shortage as at 1 January 2020. As at 31 December 2021, the Bank's capital adequacy exceeded the statutory ratio prescribed by the NBU (FUIB capital adequacy ratio of N2 = 13.91%, with statutory of at least 10%, and average by the Ukrainian banking system – 18.01%).

Taking into account the structure of the Bank's liabilities by maturity, the amount and share of highly liquid assets was significant.

About 68% of highly liquid assets were represented by investments in DGLBs and saving (deposit) certificates issued by the National Bank of Ukraine ((31 December 2020: 65%). The funds on the correspondent account with the NBU were maintained to the extent necessary for servicing clients' operations and fulfillment of the Bank's obligations. The majority of term deposits on interbank accounts were placed with non-resident investment class banks.

FUIB's liquidity indicators were acceptable. As at the end of 2021, the Bank's liquidity ratios were above the required levels set by the National Bank of Ukraine:

- Short Liquidity Ratio (H6) – 96%, with the minimum required by the NBU – 60%;
- Liquidity Coverage Ratio (LCR) for all currencies – 173%, with the minimum required by the NBU – 100%;
- Liquidity Coverage Ratio (LCR) in foreign currencies – 211%, with the minimum required by the NBU – 100%;

- Net Stable Funding Ratio (NSFR) – 127%, with the minimum required of:
  - Not less than 80% – effective from 1 April 2021 року;
  - Not less than 90% – effective from 1 October 2021;
  - Not less than 100% – effective from 1 April 2022.

In 2022, the Bank plans to finance its activities, the adequacy of working capital and liquidity by:

- Attracting funds from corporate customers;
- Attracting funds from retail customers.

The Bank invests funds or acquires certain assets under the FUIB Growth Strategy. Financing is carried out through internal procedures with funds received from operating activities or profit reinvestment.

Total investments of the Bank in its own property and equipment and intangible assets in 2021 amounted to UAH 496 million, and plan by the end of 2023 is more than UAH 2.2 billion.

As at 31 December 2021, the Bank had capital expenditure commitments stipulated in the contracts for equipment purchases in the amount of UAH 56.8 million. The Bank's management had already allocated the necessary resources to fulfill the obligations. The Bank's management believes that future net income and financing will be sufficient to meet those and other similar obligations.

Plans for expanding or improving property and equipment and the reasons for their implementation are also carried out in accordance with the FUIB Growth Strategy and are financed through internal sources. Investment plans presuppose expanding the network of outlets, ATMs, POS-terminals, investments in IT – in order to implement the effective changes in business processes.

FUIB adheres to high standards in ensuring decent and safe working conditions for employees and development of their professional skills. FUIB carries out its activities by observing the principles of conscientious working practices and respecting human rights.

The Bank's employees include economists and financiers, people of intellectual and creative professions, people who work in offices, branches, and sales outlets. Employees are the Bank's main asset and the key to sustainable development of the financial institution.

The Bank has a Collective Agreement in place which guarantees the protection of rights and interests of each FUIB's employee. Everyone has equal rights and opportunities regardless of gender, race, age, place of residence, religion, and political beliefs.

In 2021, FUIB traditionally invested in the improvement of workplace safety, preservation of employees' life and health. The Bank conducted laboratory studies of workplaces in terms of the presence of harmful factors, preliminary and periodic medical examinations of employees, financed the inspections of buildings to identify potential dangers in the facilities, conducted examinations of newly opened branches' compliance with fire safety rules, the pre-trip medical examinations of motor vehicle drivers, and many other things.

Development of employees is one of the main strategic directions. The Bank trains its employees remotely at trainings, seminars, master classes, and workshops. By raising the level of knowledge and skills, our colleagues will be able to implement more complicated projects and tasks, thereby strengthening their competencies and developing the Bank.

For beginners, the Bank offers trainings, which allows them quickly to adapt and fulfill their new responsibilities easily. For professionals, in order to discover their potential, it is possible, with the help of their mentors, to select training programs and inspiring projects.

For the fans of new technologies, the Bank implements the IT Drive project. Employees of Information Technology Department initiate and implement the ideas aimed at improving the internal processes and experience of customers in using the Bank's products.

Managers of the Bank are trained in the School of Management, from mastering their basic skills of managers to managing changes and projects.

The employees who have anything to share with others can be trained in the Institute of Internal Coaching. They may develop and conduct trainings for their colleagues.

The Bank has the Code of Conduct in place that reflects the basic principles of corporate conduct and ethical standards for employees of FUIB. The Code of Conduct is based on the principles of honesty and integrity and defines minimum requirements for the behavior of the Bank's employee. The Code of Conduct of FUIB is intended to help each employee to get an idea of the ideology and system of values of the Bank, its corporate culture, established ethical norms for employees' behavior, the manner of communication with colleagues, clients, and partners, how to resolve complex ethical situations, to prevent situations of conflicts of interests arising during the work process. The Bank expects that all employees and representatives of the Bank be governed by the highest standards of personal and professional integrity in all aspects of their activities and comply with all relevant laws, rules, practices, and principles of the Bank. Under no circumstances should employees jeopardize the reputation of the Bank, as well as the principles of integrity, even if it may grant the Bank with potential benefits. When commencing the work at FUIB, each employee is responsible for their behavior, including compliance with the laws, this Code of Conduct, corporate principles, and internal documents of the Bank.

When implementing innovative technologies into business processes and customer services, FUIB supports 'green' standards and makes its contribution to the preservation of the environment.

Not only are self-service online systems convenient for customers and profitable for business, but they are also beneficial to the environment. Thus, Internet banking FUIB Online 2.0 offers savings in terms of customer's time and money and, instead of visiting standard offices, it offers a wide range of online services without leaving home. This, in turn, reduces the load on the Bank. Overall, this is a significant economy of natural resources and energy that would be required for the organization and operation of outlets.

Every day, FUIB employees make efforts to preserve the environment: apply principles of the Green Office: save energy resources, save paper, optimally use the equipment and procedures for electronic document management, collect waste paper, and participate in other environmental initiatives.

In 2021, the Bank continued to replace traditional illuminants with energy-saving ones and apply electricity saving policies. Application of new energy-saving technologies in office premises reduces energy and water consumption. The Bank actively implements the environmental initiative on collecting paper for recycling and disposal of other recyclable materials. In addition, FUIB handed over for recycling to other organizations all hazardous and non-hazardous waste of the Bank for the year.

In 2021, First Ukrainian International Bank actively developed corporate volunteering. Our employees participated in environmental and social initiatives. FUIB employees took part in ecological volunteer clean-ups, participated in a large-scale nationwide action of SCM Group. With their own hands, they make the life of their cities better, clean parks, squares, and playgrounds from garbage. On the eve of the International Children's Day, FUIB employees, together with their families, participated in the charitable Chestnut Run held in the central streets of Kyiv. FUIB team was one of the most numerous teams in the run. All funds collected within the framework of the project were transferred for charity needs. FUIB's soccer team participated in the charitable futsal tournament "Cup of Hope" organized by the club "Football For All" and the charitable foundation for assistance to children with cancer "Crab". All the funds collected were transferred to charity. FUIB has been supporting children from orphanages for nine years. The Bank carries out charitable promotions to collect essential supplies and cash donations for the children of specialized children care centers in different regions of Ukraine. For the seventh consecutive year, FUIB has been participating in the Donor Day. The collected blood was transferred to small patients who suffer from oncological diseases. For the sixth consecutive year, FUIB has been participating in the Lots of Socks campaign. The Bank's employees displayed their support to people with Down syndrome; they took part in a flash mob with colored socks, and collected the financial aid for the activities of the All-Ukrainian Charitable Organization "Down Syndrome". It finances the work of the Center for Early Development and implementation of programs for the Development of Children with Down Syndrome.

Anti-corruption program

Compliance Control Division of FUIB carries out monitoring of the compliance with the principles of conscientiousness when providing services to customers, bank secrecy, protection of the database, compliance of offered products with customers' orders. Compliance Control Division also monitors the reliability, completeness, objectivity, and timeliness of the information provided by the Bank in accordance with the laws and regulations to public authorities, partners, clients, and the public.

The Bank provides the society with truthful and accurate information about its processes, products, and services. FUIB constantly improves business transparency. The Bank timely discloses the complete and reliable information, including information about its financial position and economic indicators. Thus, shareholders and investors can make informed decisions, and customers have the necessary information about their financial partner.

(In Ukrainian Hryvnias and in thousands)

The Bank implements the Procedure for Declaring External Activities of Personnel according to which employees should necessarily notify the Bank about their external activities. This information is analyzed, and it is determined whether or not there is a conflict of interest between the employee, the Bank, its customers, and counterparties. Furthermore, the Bank implements the Procedure for Granting and Receiving Gifts and Invitations.

In its activities, the Bank implements Anti-Monopoly Compliance Policy, the main purpose of which is to prevent violations in the field of competition law on the part of responsible divisions of the Bank.

In 2016, FUIB adopted the Anti-Corruption Program of JSC FUIB and updated it in 2019. The Program establishes a set of rules, standards, and procedures for identifying, counteracting, and preventing corruption and is applied in all areas of the Bank's activities.

A transparent system of corporate management has been implemented in FUIB. In 2021, there were no incidents of prosecution of employees related to corruption issues.

Ethics and Business Conduct Committee comprising top managers of the Bank has been created and operates in the Bank. The Committee ensures the implementation in FUIB of uniform standards and principles of SCM businesses in the field of corporate ethics and business conduct.

Risks

Risk is inherent to banking and is managed through the process of ongoing identification, measurement, and control of risks, subject to risk limits and other controls. The process of risk management is critical to the Bank's continuing profitability, and each employee within the Bank is accountable for the risk exposures relating to his or her duties. The Bank is exposed to credit risk, liquidity risk, and market risk, the latter being subdivided into trading and non-trading risks. The Bank is also exposed to operating, including information and legal risks, as well as compliance risks.

The independent risk control process does not include business risks, such as changes in the operating environment, technology, and industry. Those risks are monitored by the Bank's strategic planning process.

The risk management policies, monitoring, and control are conducted by a number of specialized bodies and units within the Bank. The unit most actively involved in such management is the Risk Management Division of the Bank subordinated to the Deputy Chairperson of the Management Board on Risks (Chief Risk Officer/CRO) and reporting to the Supervisory Board, the Management Boar of the Bank.

The Bank's risks are measured using methods which reflect both the expected losses likely to arise in the normal circumstances and unexpected losses which are an estimate of the ultimate actual losses based on statistical and expert models. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. The Bank also runs the worst case scenarios that would arise should extreme events, which are unlikely to occur, do, in fact, occur.

The Bank takes on the exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or a group of borrowers. Such risks are monitored on a consistent basis and are subject to a regular review. Limits on the level of credit risk per borrower are approved regularly by the Credit Council of the Bank and the Credit Committee of the Bank.

The exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing those lending limits where appropriate. The exposure to credit risk is also managed, in part, by obtaining collateral and corporate guarantees.

Liquidity risk is the risk that the Bank will be unable to discharge its payment obligations when due in the course of usual economic activities and under stress circumstances. To limit this risk, management has ensured diversified funding sources in addition to the Bank's core deposit base, manages assets in compliance with its liquidity principles, and monitors future cash flows and liquidity on a daily basis.

(In Ukrainian Hryvnias and in thousands)

The Bank, with the view to ensuring proper discharge of both its own and clients’ obligations, has implemented the policy aimed at maintaining the liquid assets at the level sufficient to cover any unplanned withdrawal of a part of the client deposits placed with the Bank as a precaution against further deterioration in the economic situation, specifically, through formation of so called ‘liquidity cushion’. To assess the adequacy of the secondary liquidity cushion, the Bank uses the methodology of calculating the minimum required level of secondary liquidity for three stress outflow scenarios: light, medium, and heavy. The scenarios are based on the Bank’s own customer funds outflow statistics. Based on the liquidity risk stress testing results as at 31 December 2021, the secondary liquidity cushion created by the Bank covers the stress outflows under three business scenarios. Liquidity risk is measured by the Bank by using the gap analysis and forecasts of the expected future cash flows during a one-year term.

In addition, the liquidity position is assessed and managed by the Bank based on certain liquidity ratios established by the NBU. As at the 2021 year end, the Bank had safety margins on most economic NBU ratios.

Interest rate risk is a potential threat of loss occurrence, decrease in income, or decrease in value of the Bank’s capital as a result of unfavorable changes in interest rates in the market. The risk appears primarily as a result of differences in maturities of assets and liabilities of the Bank by terms of sensitivity to changes in interest rates. Thus, interest rate risk is the result of the unbalanced structure of the statement of financial position by assets and liabilities by residual term to re-measurement date that are sensitive to changes in interest rates.

The Bank assesses interest rate risk by scenarios of parallel shifts in yield curve towards the increase in interest rates. Shock rate shifts for the baseline scenarios are calculated as the standard deviation for the recent 250 business days in terms of major currencies. As at 31 December 2021, the Bank was exposed to interest rate risk whose realization may impact net interest income and equity within one-year horizon – a possible decrease by UAH 13.8 million (31 December 2020: a decrease by UAH 6.3 million). Had there been increase in yield to maturity by 1 pp, the revaluation reserve for securities in equity would be lower by UAH 49,880 thousand as at 31 December 2021 (31 December 2020: by UAH 126,719 thousand).

The Bank assesses the above level of interest rate risk as acceptable and controllable, which will not affect significantly the Bank’s yield and stable financial position.

Currency risk is the risk associated with the impact of foreign exchange rates fluctuation on the value of financial instruments.

The Bank performs currency risk assessment using Value-at-Risk assessment methodology (VaR) taking into consideration recommendations of International Convergence of Capital Measurement and Capital Standards, June 2006 and Revision to Basel II Market Risk Framework, December 2010. VaR allows to assess maximum possible extent of losses with the set confidence level for a certain period of time.

The Bank performs VaR calculation using historical modelling method so as to assess currency risk in the normal and stressed conditions of financial market development. VaR calculation is based on 251 days disregarding the historical data on market currency rates; the calculation period during which the Bank would be probably able to close open foreign currency positions is 10 days, and one-sided confidence level is 99%. When determining currency risk, the estimated VaR is multiplied by the sum of number “3” and mark-up in the amount “1” in accordance with the Basel recommendations.

The results of currency risk calculation using VaR method as at 31 December were as follows:

Indicators	**2021**	**2020**
Currency risk without diversification consideration		
USD	93,735	68,025
EUR	5,368	9,033
RUB	683	620
Other currencies	2,551	2,840
Total currency risk without diversification consideration	**102,337**	**80,518**
Effect of diversification	(14,034)	(15,090)
Currency risk with diversification consideration	**88,303**	**65,428**

The above data are calculated based on internal management accounts of the Bank on the basis of the operating financial statements prepared in accordance with IFRS.

(In Ukrainian Hryvnias and in thousands)

Assets and Liabilities Management Committee of the Bank examines the results of currency risk assessment on a monthly basis.

The Bank maintains and actively manages the capital base to cover risks inherent in the business. The adequacy of the Bank’s capital is monitored by using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in supervising the Bank. The Bank considers the total capital under management to be the total regulatory capital.

The NBU requires that banks maintain a capital adequacy ratio of 10% of risk-weighted assets computed based on the Ukrainian accounting rules. As at 31 December 2021 and 2020, the Bank complied with capital adequacy ratio and requirements to regulatory capital.

As at 31 December 2021, the Bank complied with regulatory requirements to capital. As at 31 December 2021 and 2020, the Bank’s capital adequacy ratio calculated in accordance with the Basel I requirements was as follows:

	2021	**2020**
Tier 1 capital		
Share capital	4,780,595	4,780,595
Share premium	101,660	101,660
Reserve capital	2,909,909	1,605,862
Retained earnings	4,206,973	2,616,939
Total Tier 1 capital	**11,999,137**	**9,105,056**
Tier 2 capital		
Asset revaluation reserves	562,156	578,955
Total Tier 2 capital	**562,156**	**578,955**
Total capital	**12,561,293**	**9,684,011**
Capital adequacy ratio at the reporting date		
Risk weighted assets	67,647,323	50,139,651
Total capital	**12,561,293**	**9,684,011**
Capital adequacy ratio (%)	**18.57%**	**19.31%**

The existing risk management system evolves along with the growth of the Bank and is based, among other things, on the experience of overcoming major systemic crises in 1999, 2004, 2008, and 2014. Management believes that, at the current stage, the mature system of risk management has been formed, which allows to effectively eliminate both current and strategic challenges.

As a part of its overall financial risk management process, for the purpose of interest rate, currency, credit, and liquidity risks management, the Bank uses a system of limits and restrictions that ensures that actual risk measures are at the levels that do not exceed the Bank’s tolerance to those risks. The Bank actively uses collateral to reduce its credit risks.

The Bank does not utilize hedge accounting defined in IFRS 9 “Financial Instruments”. To mitigate market risks, the Bank may use derivatives to a limited extent, including forwards and swaps in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from those instruments are included in the statement of profit or loss as net gains/(losses) from financial derivatives.

(In Ukrainian Hryvnias and in thousands)

Relations with shareholders and related parties

In the normal course of business, the Bank enters into transactions with significant shareholders, companies under common control, and other related parties. These transactions include settlements, loans, deposits, trade finance, and foreign currency transactions. The outstanding balances as at 31 December 2021 and income and expenses for the year ended 31 December 2021 were as follows:

As at and for the year ended 31 December 2021	Parent	Entities under common control	Management	Other related parties
Assets				
Loans and advances to customers	–	441,538	513	121
(UAH – interest rate, % p.a.)	–	–	*(24.67)*	*(42.03)*
(USD, EUR – interest rate, % p.a.)	–	*(6.03)*	–	–
Allowance for loan impairment	–	(11,918)	(24)	(5)
Other financial and non-financial assets	3	6,875	95	–
Liabilities				
Customer accounts	(141)	(16,493,264)	(229,357)	(187,857)
(UAH – interest rate, % p.a.)	–	*(5.76)*	*(6.72)*	*(9.56)*
(USD, EUR – interest rate, % p.a.)	–	*(0.09)*	*(0.01)*	*(0.09)*
Other financial and non-financial liabilities	–	(6,036)	(6)	(18)
Credit related liabilities				
Revocable commitments to extend loans	–	502,789	820	497
Guarantees and avals	–	1,707,529	–	–
Letters of credit	–	34,056	–	–
Income/(expense)				
Interest income	–	43,881	138	1
Interest expense	–	(470,760)	(2,641)	(4,245)
Commission income	181	445,514	262	13,531
Other income	–	235	6	18
Charges to provision for commitments, guarantees, and letters of credit	–	(1,046)	–	–
Allowance for loan impairment	–	27,947	(10)	(3)
Operating expense and other income/(expense)	(375)	(43,663)	(840)	(1)

Interest rate on loans to management in the form of credit cards and overdrafts is 35.88% after grace period and 0.01% under consumer loans (effective rate – 49.27%).

In 2021, the remuneration to 10 members of the Management Board comprised salaries of UAH 85,075 thousand (2020: UAH 83,711 thousand), mandatory contributions to the state funds of UAH 2,393 thousand (2020: UAH 1,876 thousand), and allowance for additional remuneration payment of UAH 255,049 thousand (2020: UAH 98,945 thousand). For 12 months of 2021, the payments to five members of the Supervisory Board amounted to UAH 21,488 thousand (2020: UAH 19,368 thousand) and mandatory contributions to the state funds amounted to UAH 1,414 thousand (2020: UAH 953 thousand). For 12 months of 2021, the remuneration to the people of weight in the Bank amounted to UAH 6,685 thousand (2020: UAH 6,511 thousand), mandatory contributions to the state funds of UAH 949 thousand (2020: UAH 375 thousand), and allowance for additional remuneration payment of UAH 802 thousand (2020: UAH 696 thousand).

Performance results and further growth

Results of the Bank

In 2021, the Bank's activities were characterized by the following trends.

As at 31 December 2021, the Bank’s total assets amounted to UAH 104,649 million, which was by UAH 29,385 million (+39.0%) higher than in the previous year (31 December 2020: UAH 75,264 million).

Corporate loan portfolio, before allowances for loan transactions, increased by UAH 9,949 million (+37.6%) to UAH 36,422 million. The allowances for impairment of corporate loans decreased by UAH 364 million (-11.2%) to UAH 2,898 million.

Retail loan portfolio, before allowances for loan transactions, increased by UAH 5,428 million (+32.8%) and amounted to UAH 21,987 million. The allowances for impairment of retail loans increased by UAH 227 million (+10.3%) to UAH 2,424 million.

The Bank's assets as at 31 December 2021 had the following structure:

1) Loans to customers – 50.7% (31 December 2020: 49.9%);
2) Cash on hand, balances with the NBU, and due from other banks – 23.1% (31 December 2020: 21.3%);
3) Securities portfolio – 22.1% (31 December 2020: 24.5%);
4) Property and equipment, investment property, intangible assets, and right-of-use assets – 2.3% (31 December 2020: 3.0%);
5) Other assets – 1.8% (31 December 2020: 1.2%).

In 2021, the Bank's total equity grew by UAH 2,877 million (+29.7%) and, as at 31 December 2021, amounted to UAH 12,561 million.

As at 31 December 2021 and 2020, the approved and authorized share capital of the Bank comprised 14,323,880 ordinary shares with the nominal value of UAH 333.75 per share. All shares have equal voting rights. As at 31 December 2021, all shares were fully paid and registered.

On 22 March 2021, the General Shareholders' Meeting of the Bank decided to distribute retained earnings in the amount of UAH 1,304,047 thousand to the Bank's reserve capital and distribute the amount of UAH 1,304,046 thousand for the payment of dividends.

The operating income of the Bank for the year ended 31 December 2021 amounted to UAH 11,656 million, which was ny UAH 2,722 million (+30.5%) higher than in 2020.

For the year ended 31 December 2021, the Bank earned UAH 9,231 million of net interest income, which was by UAH 2,384 million (+34.8%) higher than in 2020:

- Due to growth in loan portfolio and its credit quality improvement;
- As a result of active work with distressed portfolio;

In 2021, the Bank's net commission income amounted to UAH 2,047 million, which was by UAH 371 million (+22.1%) higher than in 2020.

Gains from dealing operations and other income of the Bank decreased by UAH 32 million (-7.9%) to UAH 379 million.
In 2021, the Bank's operating expense increased by UAH 1,126 million (+24.2%) and amounted to UAH 5,781 million. In 2021, the Bank continued implementing strategic business development projects.

In 2021, charges to allowances for impairment of loans and loan related commitments decreased by UAH 350 million (-31.4%) to UAH 763 million.

Therefore, the Bank's net income for the year ended 31 December 2021 amounted to UAH 4,188 million, which was by 60.6% more than in the previous year (UAH 2,608 million).

The Bank's active operations

The main directions for the Bank's active operations traditionally were loans and government securities. Total amount of the loans granted, before allowances for expected credit losses, increased by UAH 15,377 million (+35.7%) to UAH 58,409 million as at 31 December 2021. The allowances for expected credit losses decreased by UAH 137 million (-2.5%) to UAH 5,322 million.

Lending operations

The Bank's lending activities were carried out in accordance with the Ukrainian legislation, restrictions imposed by the NBU under refinancing loans, and the Bank's internal regulations.

(In Ukrainian Hryvnias and in thousands)

As at 31 December 2021, the corporate loan portfolio amounted to UAH 36,422 million, which was by UAH 9,949 million (+37.6%) higher than in the previous year. Loans to trading companies (33.8%), food processing industry and agriculture (23.8%) represented the major share in the Bank's corporate loan portfolio by industry sectors, with the trading companies portfolio demonstrating the biggest growth of UAH 4,010 million and the mining and energy sector portfolio showing the biggest decline by UAH 426 million.

As at the 2021 year end, the loans to individuals amounted to UAH 21,987 million, which was by UAH 5,428 million (+32.8%) higher than as at 31 December 2020.

The Bank's interest income on lending operations amounted to UAH 9,927 million in 2021, which was by UAH 2,086 million (+26.6%) higher than in 2019. Relative share of income on loans to customers in the interest income structure was 83.9% (2020: 84.9%).

Transactions with securities

As at 31 December 2021, the Bank's securities portfolio amounted to UAH 32,042 million, which was by UAH 9,587 million (+42.7%) higher than as at 31 December 2020.

As at 31 December 2021, total amount of Domestic Government Loan Bonds in the Bank's investment portfolio amounted to UAH 17,026 million, which was by UAH 2,580 million (+17.9%) higher than as at 31 December 2020.

In 2021, the interest income on transactions with securities amounted to UAH 1,857 million and increased by UAH 485 million (+35.4%) compared to 2020. At the end of 2021, the share of interest income on securities transactions in total interest income was 15.7% (2020: 14.8%).

The Investment Business Department carried out transactions with securities in accordance with the limits set.

Interbank operations

As at 31 December 2021, due from other banks amounted to UAH 10,697 million, which was by UAH 2,629 million (+32.6%) higher than as at 31 December 2020.

In 2021, interest income on interbank operations amounted to UAH 51 million (0.4% of the total interest income) and increased by UAH 27 million (+115.4%) compared to 2020.

The Bank's transactions with liabilities

The Bank's total liabilities increased by UAH 26,508 million or by +40.4% to UAH 92,088 million as at 31 December 2021.

Customer accounts

In 2021, customer accounts increased by UAH 23,402 million (+40.7%), the relative share in total liabilities structure increased from 87.7% to 87.9% in comparison with 2020. Corporate customer accounts increased by UAH 15,416 million (+51.0%) to UAH 45,635 million, and retail customer accounts increased by UAH 7,986 million (+29.3%) and amounted to UAH 35,282 million. As a result, the relative share of corporate customer accounts in total liabilities increased from 52.5% to 56.4%, retail customer accounts – decreased from 47.5% to 43.6%.

Borrowings

As at the 2021 year end, due to other banks increased by UAH 89 million (+6.5%) and amounted to UAH 1,445 million. In 2020, the Bank received from the National Bank of Ukraine three tranches of a refinancing loan in the total amount of UAH 4,200 million. In September 2021, the Bank received an additional tranche in the amount of UAH 1,500,000 thousand. As at 31 December 2021, the interest rate on tranches amounted from 9% to 10.5% p.a. (31 December 2020: the interest rate on tranches was 6% p.a.) and the maturities ranged from 6 September 2024 to 5 December 2025 (31 December 2020: from 4 July 2025 to 5 December 2025). As at 31 December 2021, the carrying amounts were UAH 5,693,029 thousand.(31 December 2020: UAH 4,200,554 thousand). The loan was secured by government debt securities with the fair value of UAH 7,301,729 thousand as at 31 December 2021 (31 December 2020: UAH 5,073,742 thousand).

(In Ukrainian Hryvnias and in thousands)

The Bank's achievements in 2021:

- FUIB holds leading positions in the annual rating of 50 Leading Ukrainian Banks prepared by the Financial Club publication:
  - FUIB's Chairperson of the Management Board, Serhii Chernenko, became one of the three strongest bankers in the Best Top Manager nomination;
  - Sebastian Rubaj, FUIB's Deputy Chairperson of the Management Board Responsible for Retail Business, was named as the Best Retail Banker for the third year in a row;
  - Serhii Mahdych, FUIB's Deputy Chairperson of the Management Board Responsible for Corporate Business, was ranked the second in the Best Corporate Banker nomination;
  - Kostiantyn Shkoliarenko, FUIB's CFO, became one of the three best CFOs in the banking market;
  - Nataliia Kosenko, FUIB's Deputy Chairperson of the Management Board, was ranked as the second best Operations Director;
  - FUIB became a winner in the industry specific rating and was ranked the category of Loan by Ready Cash;
  - Dokhidnyi deposit was recognized as the winner in the Classic Deposit nomination and deposit on demand Vilnyi took the third place in the rating of the best saving deposits;
  - FUIB also was named the second in the Leases nomination.
- Based on the results of the Financial Recognition survey which interviewed about 100 recognized market participants, Serhii Chernenko took the second place in the Bankers nomination.
- FUIB entered the ranking of "50 Best Employers in Ukraine" according to Forbes Ukraine magazine by taking the 12th place in the list. Among banks, FUIB took the first place.
- According to the Prostobank Awards rating "Best Banking Products: Results of 2021" of Prostobank Consulting, the FUIB's "VSEMOZHU" credit card was recognized the best credit card of the year 2021.
- FUIB's Lehkyi overdraft took the honorable second place in the Best Credit Product for Business nomination of PaySpace Magazine Awards 2021.
- Independent Rating Agency of Credit-Rating reconfirmed the long-term credit rating of the First Ukrainian International Bank (FUIB) at the level "uaAAA". The rating outlook is stable. The agency also confirmed the reliability rating of the Bank's deposits at the level of "5" (highest reliability).

FUIB continues developing innovative services and taking care of convenience and comfort of its customers.

In 2021, the Bank's customers received a possibility to pay for their purchases by switching their cards to the service of Xiaomi Pay for Mi Smart Band 6 NFC – a modification of the popular fitness bracelet with contactless payment.

The Bank takes care of its customers and has implemented a pilot project on optimizing the process of issuing the credit card "VSEMOZHU" in its outlets, which led to the reduced time for issuing credit cards by 2.5 times.

One of the priorities of FUIB is the development of products and services for small and medium entities.

FUIB's mission is to provide clients with high quality banking products, perfect and constantly improving service, and an individual approach. FUIB is constantly improving its business processes, implements the latest technological solutions, and improves the level of service and quality of products.

FUIB consistently strives to improve the quality of services provided to its customers.

Section II. Corporate Governance Report

1) Purpose of the Bank's activities

The main goal of the Bank is to achieve the position of a modern, universal, competitive Ukrainian bank, a leader in providing banking services that would meet the needs of customers in modern banking and financial instruments.
The main business goals of the Bank, on which its Strategies are based, are to become:

- A leading digital player in the banking sector by developing digital sales channels and strengthening the Bank's branches with digital technologies;
- A leading bank in the transaction business by working on the quality of services and increasing customer satisfaction;
- A leading retail credit bank by developing products and cross-selling.

2) Information about compliance/non-compliance with the principles or code of corporate governance (with reference to the source of publication of their texts), deviations and reasons for such deviations during the year

For the purpose of regulating the principles of corporate governance in the Bank according to the requirements of the Ukrainian legislation and provisions of the Bank's Charter, by its decision, the General Shareholders' Meeting dated 27 November 2018 approved the Corporate Governance Code of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" (hereinafter referred to as the Bank).

The Code is made available (published) on the Bank's official website at: https://about.pumb.ua/management.

In the course of its activities, the Bank adheres to and implements the defined basic principles of corporate governance in daily practice, such as:

1) Integrity, good business practice, and respect in relations with owners (shareholders) and investors, as well as constant willingness to ensure due protection of their interests and maximize their well-being;
2) Avoiding unreasonably complex and excessively costly procedures for exercising the rights of the Bank's shareholders while complying with requirements of the legislation of Ukraine and the Bank's Charter;
3) Equal treatment of all shareholders, including fair conduct of business with minority shareholders;
4) Defining the Bank's strategic goals and monitoring their implementation;
5) Implementing the Bank's management system of high quality and efficiency;
6) Accountability of the Management Board to the General Shareholders' Meeting and the Supervisory Board of the Bank, which exercises control over the activities of the Management Board;
7) Determining standards, rules, and norms of corporate conduct for all employees of the Bank, as well as procedures for informing about inappropriate conduct, including fraud or corruption, in accordance with the Bank's Code of Corporate Ethics, which reflects the key principles and standards of the Bank's operations;
8) Effective management of compliance risk and other risks that the Bank is exposed to in its activities, as well as situations related to conflicts of interest in order to protect the interests of its depositors, customers, counterparties, owners (shareholders), and employees according to the internal procedures implemented in the Bank;
9) Transparency of the Bank's activities, which is ensured by timely disclosure of accurate, unbiased, and essential information about the Bank's activities;
10) Responsibility that presupposes recognizing by the Bank of the rights of all interested parties assigned to them by the legislation of Ukraine, as well as the Bank's focus on mutually beneficial cooperation with such parties to ensure development and financial stability of the Bank.

During 2021, the Bank strictly adhered to the principles of corporate governance and the Corporate Governance Code. No violations of the requirements of the Corporate Governance Code have been recorded.

3) Information about major shareholders (including the persons exercising control over the Bank), their compliance with the requirements established by the legislation and changes in their composition for the year

As at 31 December 2021, the major shareholders in the Bank were as follows:

1) "SCM FINANCE" LIMITED LIABILITY COMPANY (hereinafter referred to as "SCM Finance" LLC), a shareholder of the Bank that directly owns ordinary registered shares of the Bank in the amount of 92.342249%;

2) PRIVATE JOINT STOCK COMPANY "SYSTEM CAPITAL MANAGEMENT", which indirectly owns ordinary registered shares of the Bank in the amount of 93.342249%;
3) Akhmetov, Rinat Leonidovych, who indirectly owns 100% of ordinary registered shares of the Bank and is an ultimate beneficial owner of the Bank.

The major shareholders fully comply with the requirements established by law in respect of business reputation and financial health and property.

"SCM Finance" LLC, as a shareholder of the Bank, received a written permission No. 1 dated 6 January 2006 from the National Bank of Ukraine (hereinafter referred to as the "NBU") to increase its major shareholding in the Bank.

During the reporting period, there were no changes in the Bank's ownership structure.

4) Information about the General Shareholders' Meetings of the Bank held and general description of the decisions taken at the meetings

During the reporting period, at the initiative of the Bank's Supervisory Board, the following General Shareholders' Meetings (hereinafter referred to as the "GSM") were held:

On 29 January 2021, the extraordinary General Shareholders' Meeting was held which considered the following issues:

1) On electing members of the Counting Commission, making a decision on termination of their powers.
2) On determining a remuneration amount to a member of the Bank's Supervisory Board.

No proposals to the list of issues on the agenda were submitted. The quorum of the extraordinary GSM was 93.342249% of the total number of voting shares. On all the issues on the agenda, relevant decisions were taken, in particular: the Secretary and composition of the Counting Commission of the extraordinary GSM were elected, the remuneration amount to a member of the Bank's Supervisory Board was determined.

Minutes on the voting results are made publicly available at the Bank's official website at: https://about.pumb.ua/management/investors

Results of the extraordinary GSM are issued in Minutes No. 84 dated 29 January 2021.

On 22 March 2021, the annual General Shareholders' Meeting was held which considered the following issues:

1. On electing members of the Counting Commission, making a decision on termination of their powers. On the procedure for signing the minutes of the Meeting.
2. On approving the Bank's annual report for 2020.
3. On considering external audit conclusions regarding the Bank's annual report for 2020 and approving measures based on the results of their consideration.
4. On distributing the Bank's profits.
5. On making a decision to pay dividends and approving their amounts.
6. On amending the Charter of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" and approving it in a new version.
7. On approving the Regulation on the Supervisory Board of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" in a new version.
8. On determining main directions of the Bank's activities for 2021.
9. On considering the Report of the Bank's Supervisory Board for 2020 and approving measures based on the results of its consideration. Making decisions based on the results of consideration of the Report of the Bank's Supervisory Board for 2020.
10. On approving the Regulation on Remuneration to Members of the Supervisory Board of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK" in a new version.
11. On approving the Report on Remuneration to Members of the Bank's Supervisory Board for 2020.

No proposals to the list of issues on the agenda were submitted. The quorum of the annual GSM was 93.342249% of the total number of voting shares. On all the issues on the agenda, relevant decisions were taken, in particular: the Secretary and composition of the Counting Commission of the annual GSM were elected, and the Chairperson and the Secretary of the annual GSM were instructed to sign the minutes of the annual GSM. In addition, the annual GSM approved the Bank’s annual report for 2020, including the Bank’s financial statements for 2020 prepared in accordance with International Financial Reporting Standards, reviewed and approved conclusions of the Bank’s external auditor – PrJSC “KPMG Audit” regarding the Bank’s annual report for 2020, without comments and additional measures, distributed the Bank’s profits by allocating a part thereof to the Bank’s reserve fund and to pay dividends to the holders of ordinary registered shares of the Bank. The annual GSM also decided to pay dividends to the shareholders of the Bank. The decision of the annual GSM determined the main activities of the Bank for 2021, approved the Charter of the Bank in a new version, the Regulation on the Bank’s Supervisory Board, and the Regulation on Remuneration to Members of the Bank’s Supervisory Board, the report of the Bank’s Supervisory Board for 2020 and measures based on the results of its consideration, as well as the Report on Remuneration to Members of the Bank’s Supervisory Board for 2020.

Minutes on the voting results are made publicly available at the Bank’s official website at: https://about.pumb.ua/management/investors.

Results of the annual GSM are issued in Minutes No. 85 dated 22 March 2021.

On 30 April 2021, the extraordinary General Shareholders’ Meeting was held which considered the following issues:

1. On electing members of the Counting Commission, making a decision on termination of their powers.
2. On approving the Report of the Bank’s external auditor, PrJSC “KPMG Audit”, on the deliverables under the first stage of the Bank’s resilience assessment as at 1 January 2021.

No proposals to the list of issues on the agenda were submitted. The quorum of the extraordinary GSM was 93.342249% of the total number of voting shares. On all the issues on the agenda, relevant decisions were taken, in particular: the Secretary and composition of the Counting Commission of the extraordinary GSM were elected, the Report of the Bank’s external auditor, PrJSC “KPMG Audit”, on the deliverables under the first stage of the Bank’s resilience assessment as at 1 January 2021 was approved.

Minutes on the voting results are made publicly available at the Bank’s official website at: https://about.pumb.ua/management/investors.

Results of the extraordinary GSM are issued in Minutes No. 86 dated 30 April 2021.

On 25 November 2021, the extraordinary General Shareholders’ Meeting was held which considered the following issues:

1. On electing members of the Counting Commission, making a decision on termination of their powers. On the procedure for signing the minutes of the Meeting.
2. On terminating the authorities of the Chairperson and members of the Bank’s Supervisory Board.
3. On electing members of the Bank’s Supervisory Board.
4. On electing the Chairperson of the Bank’s Supervisory Board.
5. On approving terms and conditions of civil agreements with members of the Bank’s Supervisory Board, determining a remuneration amount and electing a person responsible for signing a relevant agreement with members of the Bank’s Supervisory Board.
6. On amending the Charter of JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK” and approving it in a new version.
7. On approving the Regulation on the General Shareholders’ Meeting of JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK” in a new version.
8. On approving the Regulation on the Supervisory Board of JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK” in a new version.
9. On approving the Regulation on Remuneration to Members of the Supervisory Board of JOINT STOCK COMPANY “FIRST UKRAINIAN INTERNATIONAL BANK” in a new version.

No proposals to the list of issues on the agenda were submitted. The quorum of the extraordinary GSM was 93.342249% of the total number of voting shares. On all the issues on the agenda, relevant decisions were taken, in particular: the Secretary and composition of the Counting Commission of the extraordinary GSM were elected, a new composition of the Bank's Supervisory Board was elected, and the terms and conditions of civil agreements to be concluded with them were approved, the remuneration amount was determined. Also, the Bank's Charter in a new version and the Regulation on the Bank's Collegiate Bodies were approved, as well as the amended version of the Regulation on Remuneration to Members of the Supervisory Board.

Minutes on the voting results are made publicly available at the Bank's official website at: https://about.pumb.ua/management/investors.

Results of the extraordinary GSM are issued in Minutes No. 87 dated 25 November 2021.

5) Information about any restrictions on the rights of participation and voting of the Bank's shareholders at the General Meetings.

The Bank's Charter does not provide for any restrictions on the rights of participation and voting at the General Shareholders' Meetings for the holders of ordinary registered shares of the Bank, other than the restrictions stipulated for by the legislation of Ukraine.

The Bank provides its shareholders with the opportunity to familiarize themselves with the documents necessary for making decisions on the agenda items at the General Shareholders' Meetings in accordance with the procedure established by the Law of Ukraine "On Joint Stock Companies".

6) Procedure for appointing and dismissing the Bank's officials

Members of the Bank's Supervisory Board are elected and dismissed by a decision of the General Shareholders' Meeting. In accordance with the requirements of the Law of Ukraine "On Joint Stock Companies", members of the Supervisory Board are elected by cumulative voting, while termination of powers and election of the Chairperson of the Bank's Board take place by voting in which the decision is considered to be made if a simple majority of votes of shareholders who have registered to participate in the general meeting and are holding the voting shares have voted on the issue.

Appointment and termination of powers/dismissal of the Chairperson and members (including the Deputy Chairpersons) of the Bank's Management Board fall within the exclusive competences of the Bank's Supervisory Board. A decision is made by a simple majority of votes held by the members of the Supervisory Board participating in the meeting and having the right to vote. In the event of equal distribution of votes among the members of the Supervisory Board during the process of decision making, the vote of the Chairperson of the Supervisory Board shall be decisive.

7) Authorities of the Bank's officials

Authorities of the Bank's officials are set out in the Bank's Charter, the Regulations on the Supervisory Board and the Management Board of the Bank, which are publicly available on the Bank's official website at: https://about.pumb.ua/management.

The Bank also has the Order in place according to which the official and functional responsibilities are distributed among members of the Management Board by the areas of the Bank's activities.

8) Information about composition of the Bank's Supervisory Board and its changes for the year, including committees formed by it, as well as information about the meetings held, with general description of the decisions taken

The Supervisory Board of the Bank is a collegial body of the Bank that exercises control over the activities of the Bank's Management Board and protects the rights of depositors, other lenders, and shareholders of the Bank within the limits of its competence defined by the Charter and the legislation of Ukraine.

In its activities, the Supervisory Board of the Bank is governed by the Laws of Ukraine "On Banks and Banking", "On Joint Stock Companies", regulatory legal acts of the National Bank of Ukraine, the Charter of the Bank, decisions of the General Meetings, as well as the Regulation "On the Supervisory Board of JOINT STOCK COMPANY "FIRST UKRAINIAN INTERNATIONAL BANK".

Members of the Bank's Supervisory Board are elected from among the shareholders of the Bank, their representatives, and independent members.

In the period from 1 January 2021 to 26 November 2021, the Supervisory Board consisted of the members elected on 27 November 2018 by the Bank's extraordinary General Shareholders' Meeting in the number of nine persons, i.e.:

- Popov, Oleh Mykolaiovych, Chairperson of the Bank's Supervisory Board;
- Kurilko, Serhii Yevhenovych, Member of the Bank's Supervisory Board;
- Duhadko, Hanna Oleksandrivna, Member of the Bank's Supervisory Board;
- Katanov, Georgi Bogomilov, Member of the Bank's Supervisory Board;
- Povazhna, Marharyta Viktorivna, Member of the Bank's Supervisory Board;
- Buyske, Susan Gail, Member of the Bank's Supervisory Board;
- Stalker, Catherine Elizabeth Ann, Member of the Bank's Supervisory Board – Independent Director;
- Grasmanis, Ansis, Member of the Bank's Supervisory Board – Independent Director;
- Mikhov, Valentyn Liubomirov, Member of the Bank's Supervisory Board – Independent Director.

The decision of the extraordinary General Shareholders' Meeting dated 25 November 2021 (Minutes No. 87) terminated the authorities of the Supervisory Board in full composition as a result of the expired three-year election period and, effective from 27 November 2021, elected for the period of three years the following composition of the Supervisory Board:

- Popov, Oleh Mykolaiovych – Chairperson of the Bank's Supervisory Board, representative of the shareholder "SCM FINANCE" LLC;
- Povazhna, Marharyta Viktorivna – Member of the Bank's Supervisory Board, representative of the shareholder "SCM FINANCE" LLC;
- Katanov, Georgi Bogomilov – Member of the Bank's Supervisory Board, representative of the shareholder "SCM FINANCE" LLC;
- Duhadko, Hanna Oleksandrivna – Member of the Bank's Supervisory Board, representative of the shareholder "SCM FINANCE" LLC;
- Kurilko, Serhii Yevhenovych – Member of the Bank's Supervisory Board, representative of the shareholder "SCM FINANCE" LLC;
- Stalker, Catherine Elizabeth Ann – Member of the Bank's Supervisory Board – Independent Director;
- Grasmanis, Ansis – Member of the Bank's Supervisory Board – Independent Director;
- Mikhov, Valentyn Liubomirov – Member of the Bank's Supervisory Board – Independent Director.

The approved composition of the Supervisory Board and the number of independent directors meet the requirements of the legislation, as well as are optimal and sufficient for the Bank's Supervisory Board to exercise its powers.

All members of the Supervisory Board meet the qualification requirements for business reputation and professional aptitude, have significant managerial and professional experience, an understanding of financial analysis and risk aspects in the Bank's work.

Independent directors meet the legal requirements established for their independence.

Collective suitability of the Bank's Supervisory Board corresponds to the size, specifics of the Bank's activities, nature and scope of banking and other financial services, the Bank's risk profile, the Bank's systemic importance, and the activities of the Banking Group, of which the Bank is a member.

Members of the Bank's Supervisory Board have experience in strategic planning, business development, corporate governance, risk management and building of an effective internal control system, accounting, as well as knowledge that is specific to the Bank's field of activities, which allows them to professionally discuss issues on which decisions are taken.

The Bank's Supervisory Board is balanced in terms of whether its members have the key skills necessary for their effective work.

The decision of the Bank's Supervisory Board dated 16 December 2021 (Minutes No. 379) approved distribution of authorities among its members.

In accordance with the requirements of the legislation, the control units (risk management vertical divisions, the Internal Audit Department, the Compliance Control Department), and the Bank's employee responsible for financial monitoring are subordinate to the Bank's Supervisory Board.

The organizational form of the Supervisory Board's work as a collegial body is a meeting.

During 2021, the Bank's Supervisory Board held 25 meetings, of which 5 were regular and 20 were extraordinary. Regular meetings of the Bank's Supervisory Board were held in accordance with the approved Work Plan for 2021.

Meetings of the Bank's Supervisory Board were held in full composition.

The meetings were additionally attended by the Chairperson and Deputy Chairpersons of the Bank's Management Board, Director of the Internal Audit Department, Head of the Compliance Control Department, and the Bank's employee responsible for financial monitoring.

During the reporting year, the Bank's Supervisory Board made important and fundamental decisions within its competence, in particular:

- Strategies of the Bank for the period from 2022 to 2024 and the Bank's budget for 2022 were approved, in particular, budgets of the control units;
- Strategies on Managing Non-Performing Assets for the period from 2021 to 2023 and Operation Plan on Managing Non-Performing Assets for 2021 were approved;
- Results were considered that related to the external audit of the financial statements for 2020 and the report of the Bank's external auditor on the deliverables under the first stage of the Bank's resilience assessment as of 1 January 2021, recommendations to the General Shareholders' Meeting were approved based on the opinion and the External Auditor's Report considered;
- Working Group on Digital Transformation was created;
- Employment agreements were extended with Chernenko, S. P, the Chairperson of the Bank's Management Board, and Zahorodnykov, A. H., Kosenko, N. F., and Mahdych, S. B., Deputy Chairpersons of the Bank's Management Board;
- The Bank's purchase of the shares of JSC "Idea Bank" was approved;
- Updated versions of the Bank's internal regulations on risk management and compliance control, as well as the internal provisions regulating the activities of the Bank's structural units were approved;
- Internal regulations of the Bank on ensuring the Bank's business continuity during the emergency period were approved, in particular, the Regulation on Business Recovery Plan of JSC "FUIB", the Policies on Anti-Crisis Action Plan Regarding the Recovery of Financial Resilience of JSC "FUIB" in the Event of Unforeseen Circumstances Regarding Business Continuity Management (ANTI-CRISIS ACTION PLAN), the Policies on Business Continuity Plan/BCP, the Policies on Business Recovery Plan/BRP;
- Insurance Program for 2021 was approved;
- Dividend Policies of JSC "FUIB" for the period from 2022 to 2024 were approved;
- Center of Agile Transformation was created in the Bank's organization structure;
- Due to the election of the new composition of the Bank's Supervisory Board, the Chairperson and members of the Committees within the Bank's Supervisory Board were elected.

In the reporting year, the Supervisory Board ensured functioning and monitored the efficiency of risk management system by considering quarterly risk management reports in the Bank and the Banking Group, capital stress testing results, compliance control reports and results of the annual self-assessment of banking risks, as well as transactions of financing the Bank's related parties.

To ensure functioning and control over the efficiency of comprehensive and adequate internal controls within the Bank, including internal audit, the Supervisory Board approved the annual action plan of the unit and a range of internal banking documents in respect of audit. Members of the Bank's Supervisory Board consider quarterly results of the internal audit operations and basic results of the audits held, annual report on the assessment of the Internal Audit Department's efficiency and self-assessment results, quarterly assessments of the internal control system and reports on monitoring the key control indicators.

Also, during the reporting period, the Supervisory Board took decisions in respect of the following:

- Arranging the Bank's network (22 decisions taken on opening the Bank's outlets);
- Approving the assessment results concerning the activities of the Bank's Management Board, determining the remuneration to members of the Management Board and general objectives and goals for the next year;
- Agreeing/approving the reports on remuneration to members of the Supervisory Board and the Management Board;

(In Ukrainian Hryvnias and in thousands)

- Strategies of personnel development and staff policies of the Bank (payroll of the Bank’s employees, determining the amounts of extra benefits, reviewing the staff performance and turnover dynamics, results of the survey held regarding the degree of employees’ satisfaction) and other organization issues on the Bank’s Supervisory Board’s activities.

All the issues on the agenda have received relevant decisions which are reflected in the minutes of the Bank’s Supervisory Board meetings.

The issues brought for consideration of the Supervisory Board are preliminary considered by the Bank’s Management Board, within its authorities, and relevant committees of the Supervisory Board.

Issues or reports of the Bank’s structural units that are subordinate and/ or report directly to the Bank’s Supervisory Board are preliminary considered and processed by the Supervisory Board’s committees in the cases stipulated by the Bank’s internal regulatory documents, including regulations on committees in the Bank’s Supervisory Board.

The Bank annually evaluates the performance of the Supervisory Board taken as a whole and each member of the Bank’s Supervisory Board individually. The results of the evaluation performed in respect of the Supervisory Board’s activities in 2021 demonstrated a high-level organization in the work of the Supervisory Board and its committees, internal efficiency and interaction of the Supervisory Board, the Management Board, and shareholders of the Bank, as well as the fulfillment by the Supervisory Board of its goals.

Each member of the Bank’s Supervisory Board has a sufficient level of qualification and professional aptitude, as well as appropriate experience, and devotes enough time to work in the Board and its committees, which allows performing the functions assigned to them efficiently and in a qualitative manner, as well as quickly and timely solving complex and important issues relating to the Bank’s activities.

Members of the Bank’s Supervisory Board adhere to the professional and ethical standards of the Bank’s Code of Corporate Ethics.

Members of the Bank’s Supervisory Board do not have any real or potential conflicts of interest.

The Chairperson and members of the Supervisory Board fulfill their obligations by displaying careful attitude and loyalty to the Bank in accordance with the legislation requirements.

In the course of its work, during 2021, the Supervisory Board of the Bank consistently implemented the main tasks in the priority areas of the Bank’s activities in order to build an effective and stable banking model, including those of strategic development, increase in investment attractiveness, ensuring the effective control over disposal of the Bank’s assets, diversification of the resource base by sources of the funds attracted and loan portfolio by the main borrowers and types of economic activities, enhancement of efficiency and transparency of the internal risk management mechanisms of the Bank, improvement of the control and accountability systems in the Bank’s control units.

In 2021, the Bank’s Supervisory Board was focused on:

- Monitoring the implementation of the Bank’s strategies, main areas of activities;
- Ensuring the adequate level of capital and liquidity;
- Monitoring the achievement of the Bank’s planned financial performance indicators;
- Ensuring an appropriate level of corporate governance in the Bank;
- Monitoring the efficiency of risk management system and internal control in the Bank;
- Monitoring the functioning of the effective process of non-performing assets management in the Bank;
- Monitoring transactions with the Bank’s related parties;
- Expanding the Bank’s network;
- Building an effective organization structure of the Bank aimed at optimizing business processes that would provide for a clear, coordinated segregation of responsibilities and authorities.

Taking into account the profit received by the Bank, strengthening of the Bank's position in the financial market, payment of dividends to the Bank’s shareholders, and achievement of high performance by the Bank, the Supervisory Board may state the fulfillment of all the tasks and goals set for it for 2021 and considers its work as a collegial body, as well as the work of each of its members effective and such that was carried out at a fairly high level.

According to the decision of the Bank's Supervisory Board dated 1 January 2019, the following committees of the Supervisory Board have been functioning:

- Audit Committee;
- Risk Management Committee;
- Remuneration and Appointment Committee.

Activities of the Audit Committee for 2021

During the period from 1 January 2021 to 26 November 2021, the Audit Committee (hereinafter referred to as the "AC") worked in the composition appointed by the decision of the Supervisory Board dated 18 December 2018 (Minutes No. 307), in particular:

- Grasmanis, Ansis, the Chairperson of the Committee;
- Povazhna, Marharyta Viktorivna, Member of the Committee;
- Mikhov, Valentyn Liubomirov, Member of the Committee.

Pursuant to the decision of the Supervisory Board dated 13 December 2021 (Minutes No. 378), in connection with the election of the new composition of the Supervisory Board effective from 27 November 2021, the following persons were appointed as members of the AC:

- Grasmanis, Ansis, the Chairperson of the Committee;
- Povazhna, Marharyta Viktorivna, Member of the Committee;
- Mikhov, Valentyn Liubomirov, Member of the Committee.

The AC operates on the basis of the Regulation on the Audit Committee of the Supervisory Board of JSC "FUIB".

During the reporting period, the Committee held 9 meetings, of which 5 were regular and 4 extraordinary held in the form of teleconferences. The AC meetings were held in full composition.

In accordance with the functions assigned to the AC, during 2021, it served as an advisory body to the Supervisory Board for monitoring and regulating the Bank's activities in the field of financial reporting, external and internal audit, and internal control. The AC supervised the accuracy of the financial statements of the Bank and the Banking Group, the responsible party of which is JSC "FUIB", including proper disclosure of significant management judgments that were made during the financial statements preparation, as well as supervised the activities of external and internal audit, and evaluated their effectiveness.

Main areas of the AC's attention in 2021 were:

- Supervising, discussing, and ensuring the compliance of the financial statements for 2020, including the auditor's report, with the requirements of the legislation;
- Maintaining relations with external auditors, including supervising the audit firm's compliance with the principles of independence and objectivity, analyzing periodically the audit services provided to the Bank;
- Monitoring the activities of the Bank's internal audit unit and supporting its role in the corporate governance structure;
- Assessing the effectiveness of the Bank's internal control system and ensuring that executive management promptly eliminate the control deficiencies identified by external and internal auditors and regulatory authorities.

The following issues were considered at the meetings of the Committee:

- ***Regarding financial reporting***

a) Reviewed and discussed with the external auditor, PrJSC "KPMG Audit", the draft financial statements of the Bank and the draft consolidated financial statements of the Banking Group, the responsible party of which was JSC "FUIB", for the year ended 31 December 2020;

b) Considered and discussed with the external auditor, PrJSC "KPMG Audit", the auditor's conclusions on the Bank's compliance with the requirements of the National Bank of Ukraine and deliverables under the first stage of the Bank's resilience assessment as at 1 January 2021.

(In Ukrainian Hryvnias and in thousands)

- ***Regarding internal controls***

a) Considered the Bank's management reports on the results of monitoring key control indicators for Quarter IV of 2020 and Quarters I–III of 2021;

b) Considered the overall evaluation of the effectiveness of the Bank’s internal control system as of 1 January 2021 performed by the Internal Audit Department based on the results of its work for 2020 and the generalized assessment the ICS functioning by the Bank’s management performed on the basis of quarterly reports on the results of monitoring key control indicators in general for 2020.

- ***Regarding external audit***

a) Conducted a meeting with the Partners and Senior Manager of the audit firm, PrJSC “KPMG Audit” (H. Parkhomenko, A. Tsymbal, and H. Butar), to discuss the results of audit of the financial statements for 2020, including the issue of the audit firm’s compliance with the principles of independence and objectivity (there were no comments from the Committee members regarding independence of the external auditor);

b) Considered management information on the Action Plan developed by the Bank’s management aimed at fulfilling the recommendations of the external auditor, KPMG, based on the results of the audit of the financial statements of FUIB for 2020;

c) In July 2021, conducted a tender among auditors for rendering to the Bank the statutory audit services in respect of the financial statements for 2021–2023 and provided recommendations to the Supervisory Board regarding an audit firm’s selection;

d) In October and December 2021, conducted meetings with the Bank’s external auditor as represented by the Partner and Senior Manager of the audit firm, LLC “Deloitte and Touche Ukrainian Services Company”, to plan the audit of the financial statements for 2021, including discussed the issue of the audit firm’s compliance with the principles of independence and objectivity (there were no comments from the Committee members regarding independence of the external auditor);

e) Selected the external auditor to conduct the agreed-upon procedures in respect of the Bank’s financial statements as at 30 November 2021.

- ***Regarding internal audit***

a) Monitored and reviewed the effectiveness of the Internal Audit Department (the “IAD”) of the Bank by assessing the performance of the IAD Director’s work, providing recommendations to the Supervisory Board on approving the amount of remuneration to the Director and employees of the IAD (including approved decisions on setting bonus remuneration to the Director and employees of the IAD based on the results of achieving the goals set for 2020);

b) Prepared proposals for setting goals for the Director and employees of the IAD for 2021;

c) Analyzed and discussed the reports of the Internal Audit Department based on the results of audits conducted by it and the reports on the IAD's work for Quarter IV of 2020 (including the results of evaluating the effectiveness of the Bank’s internal controls as at 1 January 2020 and the results of audit of the Bank’s financial monitoring system), for Quarters I–III of 2021 and October-November 2021 (interim for Quarter IV of 2021);

d) Considered the report on implementation of the Development Concept for the Internal Audit Department, the Program for Ensuring and Improving the Quality of Internal Audit for the period from 2020 to 2022 (by the results of work in 2020);

e) Considered the results of self-assessment of the Internal Audit Department for 2020;

f) Considered information on fulfillment by the Bank’s units of the internal audit recommendations for Half Year I of 2021 and the nine months of 2021;

g) Provided recommendations to the Bank’s Supervisory Board on approval of the adjusted Action Plan of the Internal Audit Department for 2021 in connection with the need to conduct an audit on the compliance with the NBU requirements when rendering electronic custodial services (new activities commenced by the Bank effective from March 2020);

h) Considered the draft Strategic Plan of the Internal Audit Department for the period from 2022 to 2024, the Action Plan for 2022, and the Budget of the Internal Audit Department for 2022 and provided recommendations to the Supervisory Board for their approval;

i) Agreed the updated version of the Regulation on the Internal Audit Department of JSC “FUIB” and provided a recommendation to the Supervisory Board for its approval.

Activities of the Risk Management Committee for 2021

During the period from 1 January 2021 to 26 November 2021, the Risk Management Committee (hereinafter referred to as the "RMC") worked in the composition appointed by the decision of the Supervisory Board dated 18 December 2018 (Minutes No. 307), in particular:

- Buyske, Susan Gail, the Chairperson of the Committee;
- Grasmanis, Ansis, Member of the Committee;
- Duhadko, Hanna Oleksandrivna, Member of the Committee;
- Povazhna, Marharyta Viktorivna, Member of the Committee;
- Katanov, Georgi Bogomilov, Member of the Committee;
- Kurilko, Serhii Yevhenovych, Member of the Committee.

Pursuant to the decision of the Supervisory Board dated 13 December 2021 (Minutes No. 378), in connection with the election of the new composition of the Supervisory Board effective from 27 November 2021, the following persons were appointed as members of the RMC:

- Duhadko, Hanna Oleksandrivna, the Acting Chairperson of the Committee;
- Grasmanis, Ansis, Member of the Committee;
- Povazhna, Marharyta Viktorivna, Member of the Committee;
- Katanov, Georgi Bogomilov, Member of the Committee;
- Kurilko, Serhii Yevhenovych, Member of the Committee.

The RMC operates on the basis of the Regulation on the Risk Management Committee of the Supervisory Board of JSC "FUIB".

During 2021, the Committee held 11 meetings, of which 5 were regular and 6 extraordinary held in the form of teleconferences. The RMC meetings were held in full composition.

Within the limits of functions assigned by the Supervisory Board, during the year, the RMC served as an advisory body of the Supervisory Board for the following issues:

- Supervising the Bank's risk management function;
- Providing recommendations, advice, and proposals to the Bank's Supervisory Board on the issues of managing risks on the decisions taken by it;
- Monitoring the Bank's compliance with the established total risk appetite level in respect of each type of risks in accordance with the Risk Appetite Declaration;
- Monitoring the implementation of risk management strategies and policies;
- Monitoring the fulfillment by CRO, CCO, risk management units, and the Compliance Control Division of the functions assigned to them;
- Ensuring the development and participation in the development of internal banking documents (in particular, the Policies and Procedures) on the Bank's risk management, as well as revising them on a regular basis (at least annually) for the purpose of updating and monitoring their implementation and compliance in the Bank;
- Monitoring the status of implementing measures on prompt elimination of deficiencies in functioning of the risk management system, implementation of recommendations and comments of the Internal Audit Department, external auditors, the NBU, and other regulatory authorities;
- Monitoring that pricing/setting tariffs for banking products consider the Bank's business model and risk management strategies. In the event that prices/tariffs fail to cover the Bank's risks, the Risk Management Committee develops measures and provides them for the Bank's Supervisory Board's consideration;
- Submitting to the Bank's Supervisory Board, at least on a quarterly basis, reports on fulfillment of the tasks assigned to it;
- Ensuring the fulfillment of other functions and authorities determined in the relevant Regulation.

The following issues were considered at the meetings of the Committee:

- Agreeing the Risk Appetite Declaration of JSC "FUIB" and target risk appetite indicators for 2021;

- Reviewing the current social and political situation in Ukraine and estimating its effect on risk indicators of JSC “FUIB”;
- Considering the quarterly monitoring of risk appetite indicators and reviewing limits for DGLBs;
- Considering the quarterly stress testing of risks and equity;
- Considering the quarterly reports on credit risk (corporate and retail loan portfolios) and analyzing the implementation results of Credit Card product;
- Considering the quarterly reports on managing non-performing assets in accordance with the Strategy on Management of Non-Performing Assets;
- Considering the quarterly reports on market risks and interbank lending and transactions with securities;
- Considering the quarterly reports on operating risks (System of Operating Risk Management): System of Fraud Risk Management/SFRM, System of Information Security Management/SISM, System of Physical Security Management/SPSM, IT-incidents, and Information Risk Management;
- Considering the feasibility of automated work with the Base of Operating Risk Internal Events;
- Considering the quarterly report on compliance with the norms and assessing the level of compliance risk;
- Informing on a quarterly basis about the work with related parties;
- Agreeing statutory documents on risk management and compliance;
- Considering the concept of environmental risk management;
- Considering the results of annual self-assessment of banking risks;
- Considering the quarterly report on assessment of the efficiency of risk management units, monitoring the compliance with the norms for 2020, and agreeing measured based on the consideration results;
- Considering the Bank’s insurance program for 2021;
- Agreeing the long-term strategy of work with DGLBs;
- Considering the quarterly report on model risk management.
- Considering the reports on material risks of the Banking Group of JSC “FUIB”;
- Considering the regular reports on meeting the compliance risk requirements and assessing the level of compliance risk;
- Considering the regular reports on non-performing assets management;
- Considering the development plan of compliance function for 2021;
- Considering the development plan of risk management function for 2021;
- Agreeing the regulatory documents on risk management and compliance of the Bank and the Banking Group of JSC “FUIB”;
- Approving the report on financial monitoring risk management;
- Considering the reports on fulfillment of the previous RMC’s decisions and quarterly risk management reports of the RMC.

Activities of the Remuneration and Appointment Committee

During the period from 1 January 2021 to 26 November 2021, the Remuneration and Appointment Committee (hereinafter referred to as the “RAC”) worked in the composition appointed by the decision of the Supervisory Board dated 18 December 2018 (Minutes No. 307), in particular:

- Stalker, Catherine Elizabeth Ann, the Chairperson of the Committee;
- Popov, Oleh Mykolaiovych, Member of the Committee;
- Mikhov, Valentyn Liubomirov, Member of the Committee.

Pursuant to the decision of the Supervisory Board dated 13 December 2021 (Minutes No. 378), in connection with the election of the new composition of the Supervisory Board effective from 27 November 2021, the following persons were appointed as members of the RAC:

- Stalker, Catherine Elizabeth Ann, the Chairperson of the Committee;
- Popov, Oleh Mykolaiovych, Member of the Committee;
- Mikhov, Valentyn Liubomirov, Member of the Committee.

The RAC operates on the basis of the Regulation on the Remuneration and Appointment Committee of the Supervisory Board of JSC "FUIB".

During 2021, the RAC held 6 meetings, of which 5 were regular and 1 extraordinary held in the form of teleconferences. The RAC meetings were held in full composition.

Within the functions assigned by the Supervisory Board, during the year, the RAC served as an advisory body to the Supervisory Board for determining and providing recommendations on approval by the Supervisory Board of the Bank candidates to vacant positions in the Management Board of the Bank, periodically evaluating members of the Management Board for compliance with qualification requirements, and providing report on this issue to the Supervisory Board of the Bank, monitoring the development and periodic reviews of the Bank's policies (internal regulations) on remuneration of the Bank's officials, principles and criteria of remuneration, etc.

The RAC meetings, inter alia, considered the following issues:

- Summarizing the activities of the Management Board's members for 2020 and agreeing the performance assessment results of the Chairperson and members of the Management Board for 2020;
- Agreeing the remuneration amount to the Chairperson and members of the Management Board based on the Bank's performance for 2020;
- Agreeing the report on remuneration to members of the Bank's Management Board for 2020;
- Agreeing the bank-wide objectives and goals for the Chairperson and members of the Management Board for 2021;
- Agreeing the fulfillment of goals by CRO, CCO, the Bank's employee responsible for financial monitoring in 2020, and agreeing the goals set for the persons designated for 2021;
- Considering the Report on the Efficiency of the Bank's Supervisory Board for 2020 and measures based on the results of its consideration;
- Considering the Report on Remuneration to Members of the Bank's Supervisory Board for 2020;
- Considering the Report of the Bank's Corporate Secretary for 2020;
- Extending contracts with the Chairperson and Deputy Chairpersons of the Management Board;
- Discussing approaches to payment of a long-term bonus to members of the Bank's Management Board;
- Agreeing changes to employment agreements of members of the Bank's Management Board;
- Agreeing the results of the annual assessment of compliance of members of the Supervisory Board, the Managements Board, and other officials of the Bank the qualification requirements set by the NBU to leaders of the Banks;
- Segregating authorities among members of the Bank's Supervisory Board. Considering a matrix of skills for the Supervisory Board's members.

A significant attention was paid to the Bank's personnel management strategy, their development, work of staff during lockdowns. In particular, the approaches were considered on revising salaries of the Bank's employees, metrics were discussed on the efficiency of the Bank's employees compared to the market of competitors, the results of work with successors in 2021 were considered, as well as the issue on creating a long-term bonus to employees of Level B-1 for the implementation of the strategy for the period from 2022 to 2024, the results of staff loyalty and engagement survey in 2021, Hudson reports, and the results of eNPS survey were considered. Turnover of the Bank's employees was monitored on an ongoing basis. The RAC submits a report on the Bank's staff turnover status to the Supervisory Board every six months.

The RAC's meetings considered and recommended for approval the Regulation on Remuneration to Members of the Management Board of JSC "FUIB", the Regulation on the Process of Annual Performance Assessment of Members of the Management Board of JSC "FUIB" and the Management Board of JSC "FUIB" Taken as a Whole, the Regulation on Remuneration to Members of the Supervisory Board of JSC "FUIB", the Regulation on Annual Performance Assessment of the Supervisory Board of JSC "FUIB", and the Regulation on the Management Board of JSC "FUIB".

9) Information about composition of the Bank's executive body and its changes for the year, including the committees formed by it, as well as information about the meetings held, with the general description of the decisions taken

A collegial executive body that performs day-to-day management of the Bank is the Management Board.
Competences of the Management Board presuppose resolving all the issues related to the management of the Bank's day-to-day activities, other than the issues belonging to the exclusive competence of the General Shareholders' Meeting and the Supervisory Board.

Deputy Chairpersons of the Bank’s Management Board are ex officio members of the Management Board.

The quantitative and personal composition of the Management Board and the term of office of members of the Management Board are determined by the Supervisory Board.

The Management Board consists of: the Chairperson of the Management Board, the First Deputy Chairperson of the Management Board (if appointed by the Supervisory Board), Deputy Chairpersons of the Management Board, and members of the Management Board.

During 2021, the Management Board consisted of the following members:

Chairperson of the Management Board – Chernenko, Serhii Pavlovych, exercises operating management of the day-to-day activities and ensures stable and efficient work of the Bank. He is responsible for organizing the Bank’s work in all areas of its activities. Ensures the implementation of the Bank’s Strategy. Organizes the implementation of decisions of the General Shareholders’ Meetings and the Supervisory Board. Pursuant to the decision of the Supervisory Board dated 29 April 2021, the authorities of Chernenko, S. P. as the Chairperson of the Bank’s Management Board were extended for the period of three years – until 4 November 2024 inclusive.

Deputy Chairperson of the Management Board – Chief Financial Officer – Shkoliarenko, Kostiantyn Oleksandrovych, is responsible for the overall accounting and financial policies of the Bank, the Bank’s budget, as well as effective management of the Bank’s pricing policy. Ensures control over arrangement of the conditions for compliance with accounting, reporting, and methodology in accordance with national and international standards. Defines standards for management accounting and reporting, strategic planning, and analysis. Monitors the implementation of the Bank’s policies on improving the system of bad debt recovery to ensure the Bank’s stable development.

Deputy Chairperson of the Management Board – Mahdych Serhii Borysovych, is responsible for introducing and implementing the Bank’s strategies in corporate business in order to achieve and maintain the Bank’s competitive advantage and results defined by the Bank’s overall strategy.

Deputy Chairperson of the Management Board – Rubaj, Sebastian, is responsible for introducing and implementing the Bank’s strategies in retail business in order to achieve and maintain the Bank’s competitive advantage and results defined by the Bank’s overall strategy.

Deputy Chairperson of the Management Board – Zahorodnykov, Artur Hermanovych, is responsible for improving the system of attracting and retaining large corporate clients with state ownership in view of innovative approaches, individual characteristics of clients, and using the most relevant banking products. Coordinates the work with the executive authorities. Pursuant to the decision of the Supervisory Board dated 22 July 2021, the authorities of Zahorodnykov, A. H. were extended for the period of three years – until 31 December 2024 inclusive.

Deputy Chairperson of the Management Board for Risk Management (CRO) – Yeremenko, Fedot Yevheniiovych (Chief Risk Manager of the Bank), ensures the implementation and continuous functioning of the processes of risk management system that guarantee timely identification, measurement, monitoring, control, mitigation, and reporting on significant risks (credit, market, operating, liquidity, and other significant risks). He is responsible for the activities of risk management units.

Deputy Chairperson of the Management Board – Kosenko, Nataliia Feliksivna, is responsible for development and efficient operation of the Bank’s regional network. Pursuant to the decision of the Supervisory Board dated 22 July 2021, the authorities of Kosenko, N. F. were extended for the period of three years – until 31 December 2024 inclusive.

Deputy Chairperson of the Management Board – Skalozub, Leonid Pavlovych, is responsible for ensuring the economic, financial, informational, physical, technical security of the Bank, organizing security and regime, identifying and stopping infringements on the Bank’s reputation and properties, coordinating the work to protect its interests in criminal proceedings. Coordinates the work of the Security Department.

Deputy Chairperson of the Management Board – Kostiuchenko, Tetiana Vasylivna, determines and coordinates the development and implementation of strategic policies and practices in the field of personnel management aimed at achieving the Bank’s financial goals and standards.

Member of the Management Board, a Responsible Employee for Financial Monitoring in the Bank – Horbenko, Hanna Valeriivna, is responsible for ensuring the effective functioning and continuous improvement of the internal banking financial monitoring system, including managing the risks of money laundering and terrorist financing, with unconditional compliance with the requirements of the current legislation.

(In Ukrainian Hryvnias and in thousands)

All members of the Management Board meet the qualification requirements for business reputation and professional aptitude, have significant managerial and professional experience, an understanding of financial analysis and risk aspects in the Bank's work.

Members of the Management Board have a proper understanding of those areas of the Bank's activities for which they are responsible.

The collective suitability of the Bank's Management Board corresponds to the size, specifics of the Bank's activities, the nature and scope of banking and other financial services, the Bank's risk profile, the Bank's systemic importance, and the activities of the Banking Group, of which the Bank is a member.

Organizational form of the work of the Management Board as a collegial body is a meeting.

During 2021, the Management Board of the Bank held 45 meetings.

The agenda of meetings of the Management Board in 2021 included considering the main events to be reflected in weekly reports to the Bank's Supervisory Board, monthly, quarterly, semi-annual, annual financial results of the Bank's activities, fulfillment of the Budget, the Bank's action plans, strategy development, considering the issues related to determining key priorities for the Bank's development, the work of the Bank and its employees in the period of lockdowns, approving premises for opening and agreeing on the opening of new branches of the Bank, considering the standard quarterly reports on risk management, compliance control, reviewing on a quarterly basis the reports on customer requests and social engineering, reviewing periodically the reports on information technology management in the Bank, reviewing on a monthly basis and approving the list of the Bank's related parties, considering the issues related to amendments to the internal organization structures of the Bank's divisions, reviewing and coordinating/approving the internal documents of the Bank, as well as preliminary considering the issues submitted for approval by the Bank's Supervisory Board.

Meetings of the Bank's Management Board were devoted to the following things:

- Performed operating (monthly, quarterly, annual) monitoring of the Bank's performance taken as a whole and business verticals (retail, corporate, investment businesses);
- Developed the Bank's Development Strategy for the period from 2022 to 2024;
- Agreed the Bank's budget for 2021 before submitting it for the Bank's Supervisory Board's consideration;
- Took operating decisions regarding the Bank's and employees' activities during lockdown periods;
- Considered the results of Hudson survey and eNPS project;
- Agreed the transition to the new corporate social network Yammer;
- Approved the Process Management Development Strategy (LEAN) in the Bank;
- Agreed changes in the organization structures of the Bank's units, as well as the Regulations thereon;
- Agreed the creation in the general organization structure of the Bank of the Center for Agile Transformation and the Department of Data and Analytics;
- Agreed a new version of the Bank's Code of Corporate Ethics;
- Approved the Bank's insurance programs for 2022;
- Agreed a new version of the Bank's Anti-Corruption Program;
- Approved a new process for reimbursement of customers' losses from fraud in the course of making payments;
- Approved lists of the Bank's related parties for submission to the NBU;
- Performed work on updating the existing and approving the new regulatory documents of the Bank, cancelled the outdated regulatory and instructional documents of the Bank's structural units identified as a result of the Bank's general audit;
- Approved lists of winners under the Bank's "The Best Employee of the Year";
- Approved new and amended the existing incentive programs for the Bank's employees;
- Approved decisions on the effective management of the network of the Bank's branches, agreed changes to the location of the existing outlets and opening the new ones, closing non-profit making outlets and geographically separated cash registers;
- Took decisions to recognize debts as uncollectible and write them off at the cost of the allowances created or off-balance sheet accounts;
- Considered the periodic reports on the status of implementing by management of planned actions to eliminate the deficiencies identified during the internal audit;

- Considered issues regarding the investment project on the purchase of shares in JSC "IDEA BANK";
- Took decisions on determining the remuneration to employees of the Bank and other important issues of the Bank's activities that fall within the competence of the Management Board according to the Charter, the Regulation on the Management Board of JSC "FUIB", and the legislation of Ukraine.

Relevant decisions were made on all the issues on the agenda.

The results of the evaluation conducted on the overall performance of the Management Board in 2021, its structure and composition showed that the composition of the Bank's Management Board was balanced and covered all areas of the Bank's activities. Distribution of authorities among members of the Management Board was optimal. The Management Board plans its activities effectively. All members of the Management Board understand their authorities and responsibilities and adhere to high professional and ethical standards in the performance of their duties.

According to the evaluation performed on the business reputation of each member of the Management Board, no indications were identified in respect of the lack of impeccable business reputation as defined by the NBU's regulatory legal act, and no other factors indicating to a violation of the requirements of the banking, currency, tax, and other legislation, or improper performance of financial obligations, non-compliance of the activities of a member of the Management Board with the standards of business practice and professional ethics. The Chairperson and members of the Management Board have an impeccable business reputation, a sufficient level of qualification and professional aptitude.
Activities of the Management Board in 2021 as a collegial body were effective and aimed at implementing the Bank's main strategic objectives.

The well-coordinated and efficient work of the Management Board during 2021 led to the Bank's achievement of high financial indicators. Thus, the Bank's total assets as at 1 January 2021 amounted to UAH 104,649 million, which was by UAH 29,385 million (+39.0%) higher than in the previous year (1 January 2020: UAH 75,264 million). The Bank's capital in 2021 increased by UAH 2,877 million (+29.7%) and, as at 1 January 2022, amounted to UAH 12,561 million. According to the results of 2021, the Bank earned a net profit in the amount of UAH 4,188 million.

According to the Bank's organization structure, the following standing committees were established and functioning within the Management Board:

- Project Committee;
- Technology Committee;
- Operating Risk Management Committee;
- Assets and Liabilities Management Committee;
- Financial Monitoring Committee;
- Ethics and Business Conduct Committee;
- Tariff and Commercial Committee;
- Non-Performing Assets Management Committee;
- Credit Council and Credit Committee.

Activities of the Project Committee for 2021

During 2021, the Project Committee (hereinafter referred to as the "PC") functioned in the following composition:

- Chernenko, Serhii Pavlovych, the Chairperson of the PC, the Chairperson of the Management Board;
- Mahdych, Serhii Borysovych, Member of the PC, Deputy Chairperson of the Management Board overseeing the corporate business vertical;
- Zahorodnykov, Artur Hermanovych, Member of the PC, Deputy Chairperson of the Management Board;
- Rubaj, Sebastian, Member of the PC, Deputy Chairperson of the Management Board;
- Kosenko, Nataliia Feliksivna, Member of the PC, Deputy Chairperson of the Management Board;
- Shkoliarenko, Kostiantyn Oleksandrovych, Member of the PC, Deputy Chairperson of the Management Board – Chief Financial Officer;
- Kostiuchenko, Tetiana Vasylivna, Member of the PC, Deputy Chairperson of the Management Board;
- Yeremenko, Fedot Yevheniiovych, Member of the PC, Deputy Chairperson of the Management Board (CRO);
- Skalozub, Leonid Pavlovych, Member of the PC, Deputy Chairperson of the Management Board;
- Behunov, Andrii Borysovych, Member of the PC, Director of the Information Technologies Department;

- Nikolaieva, Yuliia Pavlivna, Member of the PC, Director of the Strategic Project and Process Management Department.

The personal composition of the PC is designated in accordance with the Regulation on the Project Committee of JSC "FUIB".

As part of its activities, in 2021, the PC made decisions on strategic change management in the Bank, including project portfolio management and change implementation process management, organization and control of cross-functional teams at all stages of change implementation in the Bank, starting with initiation and ending with the results control.
In 2021, the PC held 15 meetings by both direct presence and correspondence consideration of materials.

Key decisions taken at the PC meetings during 2021 referred to the following:

- Agreed planning of CR for Q5 Planning and application of priority rules for CR/MMF, determined candidates for QP5;
- Agreed the implementation of the Bank's 22 projects;
- Took a range of decisions in respect of the project motivation;
- Agreed closing of the Bank's 22 projects;
- Approved the process and schedule for creating the 2022 portfolio;
- Agreed the development plan for Accredited Key Certification Authority/AKCA project.

Activities of the Technology Committee for 2021

During 2021, the Technology Committee (hereinafter referred to as the "TC") functioned in the following composition:

- Chernenko, Serhii Pavlovych, the Chairperson of the TC, the Chairperson of the Management Board;
- Skalozub, Leonid Pavlovych, Member of the TC, Deputy Chairperson of the Management Board;
- Behunov, Andrii Borysovych, Member of the TC, Director of the Information Technologies Department;
- Shkoliarenko, Kostiantyn Oleksandrovych, Member of the TC, Deputy Chairperson of the Management Board – Chief Financial Officer;
- Nikolaieva, Yuliia Pavlivna, Member of the TC, Director of the Strategic Project and Process Management Department;
- Hroma, Serhii Hryhorovych, Member of the TC, Head of the Information Security Department.

The personal composition of the TC is designated in accordance with the Regulation on the Technology Committee of JSC "FUIB".

As part of its activities, during 2021, the TC resolved issues related to agreeing the technological solutions proposed for implementation in the Bank's projects, taking decisions on the selection of vendors manufacturing key elements of software and hardware complexes, agreeing changes in the key elements of IT architecture, considering significant technological changes in the Bank's projects.

In 2021, the Bank's Technology Committee held 4 meetings through both direct presence and correspondence consideration of materials.

The issues that were considered at the TC meetings related to the following:

- Projects on modernizing the network core;
- Software solutions on analytics of cyber-threats;
- Equipment and software for the continuous services in outlets;
- System of vehicle management in the Bank;
- Support to the contact center in 2022.

Activities of the Operating Risk Management Committee for 2021

During 2021, the Operating Risk Management Committee (hereinafter referred to as the "ORMC") functioned in the following composition:

- Chernenko, Serhii Pavlovych, the Chairperson of the ORMC, the Chairperson of the Management Board;

- Kosenko, Nataliia Feliksivna, Member of the ORMC, Deputy Chairperson of the Management Board;
- Skalozub, Leonid Pavlovych, Member of the ORMC, Deputy Chairperson of the Management Board;
- Yeremenko, Fedot Yevheniiovych, Member of the ORMC, Deputy Chairperson of the Management Board for Risk Management (CRO) with the right of veto;
- Dybko, Mykola Mykolaiovych, Member of the ORMC, Head of the Market and Operating Risks Department;
- Hurban, Anton Volodymyrovych, Member of the ORMC, Director of the Transaction Business Department;
- Hroma, Serhii Hryhorovych, Member of the ORMC, Head of the Information Security Division of the Security Department;
- Zavhorodnii, Volodymyr Ivanovych, Member of the ORMC, Head of the Department for Administrative Work with Personnel;
- Behunov, Andrii Borysovych, Member of the ORMC, Director of the Information Technologies Department;
- Kudlai, Serhii Borysovych, Member of the ORMC, Head of the Operating Support Center;
- Shcherbakha, Oleksandr Serhiiovych, Member of the ORMC, Director of the Retail Business Sales and Development Department;
- Stadnyk, Anton Serhiiovych, Member of the ORMC, Director of the Investment Business Department;
- Nasiekan, Lesia Oleksandrivna, Member of the ORMC, Director of the Legal Department;
- Poleshchuk, Olena Olehivna, Member of the ORMC, Chief Accountant.

The Head of the Compliance Control Department (CCO) with the right of veto and the Director of the Internal Audit Department should compulsorily attend meetings of the ORMC.

The personal composition of the ORMC is designated in accordance with the Regulation on the Operating Risk Management Committee of JSC "FUIB".

As part of its activities, during 2021, the ORMC managed operating risk in order to reduce operating losses, improved banking processes, systems, and technologies, developed, approved, and implemented measures to ensure the continuous operation of business units and the Bank taken as a whole.

In 2021, eight meetings of the ORMC were held by direct presence.

The following standard quarterly reports were considered at the ORMC meetings:

- Report on operating risk events registered in the reporting period;
- Report on implementation of the ORMC Committee's and Subcommittee's decisions;
- Results of monitoring risk appetite and operating risk limits;
- Reports on the effectiveness of the internal security system: "Results of Quarterly Monitoring of KCI (Key Control Indicators)".

The ORMC meetings also took decisions in respect of the following:

- Report on the results of annual monitoring of Key Risk Indicators for 2020 and approving the list of KRIs and their margin indicators for 2021;
- Approving stress scenarios and the results of operating risk stress testing;
- Results of annual self-assessment of operating risk by the heads of the Bank's structural units;
- Approving the size of risk appetite for operating risk in 2021 in the amount of UAH 29.4 million and setting limits for operating risk;
- Results of the annual BIA and results of the annual practical testing of internal system risks of the Head Office;
- Results of distant learning in the main mandatory distant courses;
- Taking decisions on managing operating risk events.

In addition, the ORMC made decisions on managing the operating risk events implemented, monitored the effectiveness of the decisions made by the Sub-committees of the ORMC, and evaluated the effectiveness of functioning of:

- Information security management systems;
- Fraud risk management systems;

- Continuous operation systems;
- Third-party risk management systems (including outsourcing);
- Internal control systems.

During 2021, the following Sub-Committees operated under the ORMC:

- Personnel Sub-Committee;
- Processes Sub-Committee;
- Systems Sub-Committee;
- External Factors Sub-Committee;
- Information Security Sub-Committee.

The ORMC also approved changes to composition of the Sub-Committees.

Activities of the Assets and Liabilities Management Committee for 2021

During 2021, the Assets and Liabilities Management Committee (hereinafter referred to as the "ALMC") functioned in the following composition:

- Chernenko, Serhii Pavlovych, the Chairperson of the Committee, the Chairperson of the Management Board;
- Yeremenko, Fedot Yevheniiovych, Member of the Committee, Deputy Chairperson of the Management Board for Risk Management (CRO);
- Mahdych, Serhii Borysovych, Member of the Committee, Deputy Chairperson of the Bank's Management Board;
- Zahorodnykov, Artur Hermanovych, Member of the Committee, Deputy Chairperson of the Bank's Management Board;
- Shkoliarenko, Kostiantyn Oleksandrovych, Member of the Committee, Deputy Chairperson of the Bank's Management Board – Chief Financial Officer;
- Rubaj, Sebastian, Member of the Committee, Deputy Chairperson of the Bank's Management Board;
- Dybko, Mykola Mykolaiovych, Member of the Committee, Head of the Market and Operating Risks Department;
- Stadnyk, Anton Serhiiovych, Member of the Committee, Director of the Investment Business Department.

The personal composition of the ALMC is designated in accordance with the Regulation on the Assets and Liabilities Management Committee of JSC "FUIB". When a person is appointed to a relevant position, s/he shall automatically acquire the status of the ALMC member, with all its authorities and obligations in accordance with the Regulation.

Within the framework of its activities, the ALMC supports and improves the quality of processes intended to form the Bank's strategy and business plan, ensures the implementation of the Bank's planned indicators by developing appropriate policies, forming draft managerial decisions, and making them within its competence. At the same time, the objects of management are the structure and volume of banking operations (assets, liabilities, and off-balance sheet items), their profitability and the level of risks. Objectives of the ALMC's activities are to maximize the Bank's profit and cost of capital, ensure the long-term effective functioning of the Bank, minimize risks by directly making decisions on managing liquidity risks, interest rate, and currency risks, market risks, and all risks at the level of aggregated indicators, ensuring the process of optimizing the banking operations profitability-to-riskiness ratio aimed at ensuring that the Bank receives appropriate remuneration for taking risks, by increasing profitability or reducing riskiness, or increasing income accordingly for the accepted level of risk in the cases where the amount of remuneration and the level of risk do not correlate.

In 2021, the Assets and Liabilities Management Committee held 26 meetings by both direct presence and absentee voting.

The main topics of the ALMC meetings (issues that were regularly considered) were as follows:

1. Analysis and forecast of the Bank's performance indicators:

- External regulations (the NBU, the Banking Group, etc.);
- Efficiency: spread and margin of the Bank.

2. Information of the Market and Operating Risk Division regarding control of liquidity risks, currency risks, interest rate risks, trade risks, and issuer risks:

- Risk report;
- Index of the financial market condition in Ukraine;
- Gap liquidity reports and interest rate gaps based on factor analysis;
- Concentration report;
- Stress testing of liquidity risk;
- Stress testing of interest rate risk;
- Analysis of risk indicators for increasing the probability of default of DGLBs.

3. Analysis and forecast of the Bank's monetary position:

- Liquidity: analysis and forecast of the liquidity position;
- Proposals on forming assets and liabilities.

4. Interest rate policies:

- Transfer rates;
- Limits on growth ratios.

Activities of the Financial Monitoring Management Committee for 2021

The Financial Monitoring Committee (hereinafter referred to as the "FM Committee") is a permanent collegial body of the Bank, whose activities are aimed at ensuring the functioning of the system that manages risks of anti-money laundering, financing of terrorism, and financing of proliferation of weapons of mass destruction in the Bank, as well as taking appropriate measures to prevent, limit, and/or reduce risks to an acceptable level.

During 2021, the FM Committee consisted of the following members:

- Chernenko, Serhii Pavlovych, Member of the FM Committee, the Chairperson of the Committee, the Chairperson of the Management Board;
- Mahdych, Serhii Borysovych, Member of the FM Committee, Deputy Chairperson of the Management Board;
- Rubaj, Sebastian, Member of the FM Committee, Deputy Chairperson of the Management Board;
- Kosenko, Nataliia Feliksivna, Member of the FM Committee, Deputy Chairperson of the Management Board;
- Skalozub, Leonid Pavlovych, Member of the FM Committee, Deputy Chairperson of the Management Board;
- Yeremenko, Fedot Yevheniiovych, Member of the FM Committee, Deputy Chairperson of the Management Board for Risk Management (CRO);
- Serdiuk, Vira Oleksandrivna, Member of the FM Committee, Head of the Compliance Control Department (CCO);
- Horbenko, Hanna Valeriivna, Member of the FM Committee, Member of the Management Board, Director of the Financial Monitoring Department, the Bank's employee responsible for financial monitoring;
- Nasiekan, Lesia Oleksandrivna, Member of the FM Committee, Director of the Legal Department;
- Mekh, Hanna Volodymyrivna, Member of the FM Committee with an advisory vote, Director of the Internal Audit Department.

The personal composition of the Committee is designated in accordance with the Regulation on the Financial Monitoring Committee of JSC "FUIB".

Within the framework of its activities, the Committee held 12 meetings by both direct presence and absentee voting.

The meetings considered and took decisions on the following issues:

- Considered the results of the analysis of financial transactions of suspected clients and approved preventive measures to minimize the risks of money laundering/terrorist financing;
- Considered issues by the results of refusal to conduct financial transactions and/or customer service, including if an unacceptably high level of risk is set for the client;
- Considered problematic issues that arise during customer identification and examination;

- Considered changes in the legislation on financial monitoring, measures to be implemented by the Bank – a legal entity/a branch of a foreign bank, and deadlines for updating the Bank's internal documents on financial monitoring issues, taking into account those changes;
- Considered the results of analyzing the introduction of new banking products and related compliance risks of financial monitoring;
- Considered the issues that arise during trainings of the Bank's employees;
- Considered the issues related to establishment of business relations and servicing public persons and persons close or related to public persons (publicly exposed persons/PEP);
- Considered other issues that arise during the implementation of measures to prevent legalization (laundering) of proceeds from crime or financing of terrorism or financing of the proliferation of weapons of mass destruction;
- Considered the status of fulfilling tasks on automating the financial monitoring processes;
- Considered the status of fulfilling audit recommendations.

Activities of the Ethics and Business Conduct Committee for 2021

During 2021, the Ethics and Business Conduct Committee consisted of the following members:

- Kostiuchenko, Tetiana Vasylivna, the Chairperson of the Ethics and Business Conduct Committee, Deputy Chairperson of the Management Board of JSC "FUIB";
- Chernenko, Serhii Pavlovych, Member of the Ethics and Business Conduct Committee, the Chairperson of the Management Board of JSC "FUIB";
- Mahdych, Serhii Borysovych, Member of the Ethics and Business Conduct Committee, Deputy Chairperson of the Management Board of JSC "FUIB";
- Rubaj, Sebastian, Member of the Ethics and Business Conduct Committee, Deputy Chairperson of the Management Board of JSC "FUIB";
- Skalozub, Leonid Pavlovych, Member of the Ethics and Business Conduct Committee, Deputy Chairperson of the Management Board of JSC "FUIB";
- Serdiuk Vira Oleksandrivna, Member of the Ethics and Business Conduct Committee, Head of the Compliance Control Department of JSC "FUIB";
- Duhadko, Hanna Oleksandrivna, Member of the Ethics and Business Conduct Committee, Member of the Supervisory Board of JSC "FUIB";
- Mekh, Hanna Volodymyrivna, Member of the Ethics and Business Conduct Committee, Director of the Internal Control Department of JSC "FUIB";
- Trembak, Marharyta Pavlivna, the Secretary of the Ethics and Business Conduct Committee, Head of the HR Administration Unit of the Division for Administrative Work with Personnel of HR Department of JSC "FUIB".

The personal composition of the Ethics and Business Conduct Committee is designated in accordance with the Regulation on the Ethics and Business Conduct Committee of JSC "FUIB".

Within the framework of its activities, during 2021, the Bank's Ethics and Business Conduct Committee was regulating the negative compliance risk factors, risks related to corporate ethics and business behavior, reputational risks, fraud risks, as well as other negative factors related to the activities of the Bank's personnel, ensured minimization of the consequences from implementation of such negative factors, made decisions to prevent their reoccurrence.

In 2020, the Bank's Ethics and Business Conduct Committee held 4 meetings in the form of joint presence.

The main topics for meetings of the Bank's Ethics and Business Conduct Committee were as follows:

- Statistics of appeals to the SCM Helpline regarding the activities of JSC "FUIB";
- Consideration of the report on the work of the ORCM's Personnel Sub-Committee, i.e:
  - Statistics of violations in labor discipline by the Bank's employees;
  - Disciplinary measures (including termination of employment relations at the initiative of the Bank) and other measures that were applied to infringers.

Activities of the Tariff and Commercial Committee for 2021

During 2021, the Tariff and Commercial Committee (hereinafter referred to as the "TCC") consisted of the following members:

- Chernenko, Serhii Pavlovych, the Chairperson of the TCC, the Chairperson of the Management Board;
- Shkoliarenko, Kostiantyn Oleksandrovych, Member of the TCC, Deputy Chairperson of the Management Board – Chief Financial Officer.

During the absentee voting or in case of absence of the Deputy Chairperson of the Management Board – Chief Financial Officer of the Bank, the powers were delegated to the Head of the Assets and Liabilities Management Department, Ovchynnikov, Valerii Anatoliiovych.

- Mahdych, Serhii Borysovych, Member of the TCC, Deputy Chairperson of the Management Board;
- Rubaj, Sebastian, Member of the TCC, Deputy Chairperson of the Management Board;
- Zahorodnykov, Artur Hermanovych, Member of the TCC, Deputy Chairperson of the Management Board;
- Sikorska, Kseniia Serhiivna, Member of the TCC, Director of the Marketing department.

The personal composition of the Tariff and Commercial Committee is designated in accordance with the Regulation on the Tariff and Commercial Committee of JSC "FUIB".

As part of its activities, in 2021, the TCC managed the Bank's commercial activities, product and client portfolio, ensured the control of the Bank's market position and implementation of market opportunities for the Bank's strategic development.

During 2021, the TCC considered 77 issues.

The key issues that were considered at the TCC meetings related to the following:

- Changes in tariff packages for servicing individuals, setting price parameters for new retail business products;
- Changes in tariff packages for servicing legal entities;
- Revision of interest rates for corporate clients related to the products of Stable Balance and "Profitable Account;
- Approval of authorities to set individual customer rates and tariffs;
- Amendments to authorities regarding retail business deposits;
- Changes to tariffs on cash collection services and currency valuable transportation;
- Amendments to the parameters of deposit products for individuals – deposits "Free", "Profitable", and "Saving";
- Approving the parameters of the deposit product of Retail Business – Premium Deposit;
- Supplementing the Basic Version of FUIB's Tariffs with new tariffs on payment card transactions for banks-partners;
- Delegating the authorities on setting individual tariffs of commission benefits on payment card transactions for banks-partners and financial companies;
- Delegating the authorities of Deputy Manager of Retail Business for IB to set individual tariffs on liabilities transactions (pilot project before 1 April 2022);
- Process for agreeing individual terms and conditions for MCC clients, micro for liabilities products on Sharepoint portal (pilot project before 30 June 2022);
- Approving standard processes of work with commissions and fees on factoring transactions;
- Agreeing an individual tariff on accepting payments in PayHub system during the pilot period;
- Approving the pilot product of Collection of Payments on the promissory notes avaled at JSC "FUIB" and tariffs on the transactions of payment collection under promissory notes;
- Agreeing such standard products as "Standard" deposit, "Flexible" deposit, "Minimum Balance", interest accrual on the group balance of "Notional Pooling";
- Agreeing a standard variable interest rate on active operations of CB;
- Agreeing standard processes of work with fees and commissions on granting/supporting banking services under active banking operations of MB (for projects within the process of "Redesign");
- Agreeing standard processes of work with pricing parameters on granting/supporting banking services under active banking operations of micro business (within the product of "Credit "AllBUSINESS");
- Approving the parameters of a new deposit product for individuals – "Jubilee" deposit;

- Approving changes to standard processes of work with fees and commissions on factoring transactions;
- Setting indicators (ratios) of yield for CB clients and their use as key target indicators in the model for assessing the yield of corporate customers;
- Agreeing the tariff package “My Country” for corporate customers of MB;
- Approving standard fees and commissions on lending transactions of customers in the segments of MCC and LCC in a new version;
- Changes to the pricing process under the program of “Affordable Loans 5-7-9%” (Resolution of the CMU No. 1342 dated 28 December 2020).

Activities of the Non-Performing Assets Management Committee for 2021

The Management Board’s Non-Performing Assets Management Committee (hereinafter referred to as the “NPAM Committee”) was established for the purpose of effective and operational functioning of the business process of managing non-performing assets in JSC “FUIB” and has been operating since 2 March 2020.

During 2021, the NPAM Committee consisted of the following members:

- Chernenko, Serhii Pavlovych, Member of the NPAM Committee, the Chairperson of the Management Board;
- Yeremenko, Fedot Yevheniiovych, the Chairperson of the NPAM Committee, Deputy Chairperson of the Management Board for Risk Management (CRO);
- Shkoliarenko, Kostiantyn Oleksandrovych, Member of the NPAM Committee, Deputy Chairperson of the Management Board – Chief Financial Officer of the Bank;
- Skalozub, Leonid Pavlovych, Member of the NPAM Committee, Deputy Chairperson of the Bank’s Management Board.

Two experts with an advisory vote, appointed by the Bank's Supervisory Board, also participate in the work of the NPAM Committee.

In accordance with the decision of the Supervisory Board dated 27 February 2020, Popov, O. M. and Duhadko, H. O. acted as experts for participation in the Non-Performing Assets Management Committee.

As part of its activities, the NPAM Committee makes decisions within the authority delegated by the Bank’s Management Board to settle distressed assets transferred to the NPAM division, monitors implementation of the operating plan and strategy for managing distressed assets, makes decisions on settlement of potentially non-performing assets that have not been transferred to the NPAM divisions, and also monitors an adequate assessment of the level of credit risk and the amount of provisions for all distressed assets within the competence of the Bank’s credit bodies.

During 2021, 55 meetings of the NPAM Committee were held, of which 48 were regular and 7 were extraordinary ones.

The following issues were considered at the meetings:

- Considering reports on implementation of the Distressed Assets Management Strategy and implementation of the Distressed Assets Operating Plan;
- Making decisions on debt settlement of debtors/counterparties;
- Making decisions on managing repossessed properties, including their sales;
- Making decisions on managing non-performing distressed assets.

Activities of the Bank’s Credit Council for 2021

The Credit Council was established to prevent violations of risk appetite indicators and risk limits when implementing the Bank’s business plan and achieving its strategic goals in terms of lending.

During 2021, the Credit Council (the “CC”) consisted of the following members:

- Chernenko, Serhii Pavlovych, the Chairperson of the Bank’s Management Board, the Chairperson of the Credit Council;
- Mahdych, Serhii Borysovych – Deputy Chairperson of the Bank’s Management Board, Member of the Credit Council;
- Yeremenko, Fedot Yevheniiovych, Deputy Chairperson of the Bank’s Management Board, Member of the Credit Council;

(In Ukrainian Hryvnias and in thousands)

- Skalozub, Leonid Pavlovych, Deputy Chairperson of the Bank's Management Board, Member of the Credit Council;
- Rubaj, Sebastian, Deputy Chairperson of the Bank's Management Board, Member of the Credit Council.

The personal composition of the Credit Council is designated in accordance with the Regulation on the Credit Council of JSC "FUIB", according to which experts with the right of advisory vote (hereinafter referred to as the "Experts") appointed by the Supervisory Board of the Bank can also participate in a meeting of the Credit Council.

During 2021, Popov, O. M. and Duhadko, H. O. acted as the Experts.

During 2021, 247 meetings of the CC were held by both direct presence and absentee voting.

Description of the main issues considered/resolved was as follows:

- Approval new loan projects for borrowers;
- Amending the terms and conditions of customer financing;
- Considering annual reviews under the existing loan agreements;
- Discussing cooperation strategies with clients;
- Approving/modifying product standards;
- Accrediting insurance companies;
- Setting/extending/modifying limits for interbank transactions;
- Setting limits on debtors for factoring and trade finance operations;
- Coordinating amendments to internal regulations on collegial bodies and delegating decision-making authorities;
- Reviewing reports on the quality of loan portfolio.

10) Information about the facts of violation of internal rules by members of the Supervisory Board and the executive body of the Bank, which caused damage to the Bank or the Bank's customers

In 2021, there were no facts of violation of internal rules by members of the Supervisory Board and the Management Board of the Bank, which could cause damage to the Bank or the Bank's customers.

11) Information about the measures of influence applied by the government authorities to the Bank during the year, including to members of the Supervisory Board and the executive body

During 2021, the government authorities applied the measures of influence to the Bank in the form of penalties that were satisfied (paid) in full, in particular:

Sl. No.	Description of a penalty	Amount of fine, UAH	Authority that imposed the penalty	Information on execution
1	Penalty accrued for the period from 16 October 2020 to 28 April 2021 for incomplete payment of a regular fee in the form of a differential duty for Quarter III of 2020	279,324.66	Individual Deposit Guarantee Fund	Paid on 2 June 2021
2	Penalty for the Bank's failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 26 October 2021
3	Penalty for the Bank's failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 8 November 2021
4	Penalty for the Bank's failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 8 November 2021

(In Ukrainian Hryvnias and in thousands)

Sl. No.	Description of a penalty	Amount of fine, UAH	Authority that imposed the penalty	Information on execution
5	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 8 November 2021
6	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 8 November 2021
7	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 15 November 2021
8	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 15 November 2021
9	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 15 November 2021
10	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 19 November 2021
11	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 24 November 2021
12	Penalty for the Bank’s failure to meet the statutory rules on determining payment features and exchange of banknotes, fractional coins, and coins in circulation of the national currency of Ukraine to banknote sorting criteria	170.00	National Bank of Ukraine	Paid on 25 November 2021

The amount of the penalties paid was insignificant and did not have an impact on the Bank’s performance in the financial statements.

No other measures of influence were applied to the Bank during 2021.

No measures of influence were applied to members of the Bank’s Supervisory Board and the Management Board.

12) Information about the amount of remuneration for the year payable to members of the Supervisory Board and the executive body of the Bank

Members of the Bank’s Supervisory Board perform their functions and receive remuneration in accordance with the terms and conditions of civil contracts concluded with each member of the Supervisory Board.

The procedure for payment of remuneration to members of the Supervisory Board is regulated by the Regulation on Remuneration to Members of the Supervisory Board of JSC “FUIB”, as approved by the General Shareholders’ Meeting on 25 November 2021.

Details on the amount of the remuneration paid to members of the Supervisory Board in 2021 are disclosed in the Report on Remuneration to Members of the Bank's Supervisory Board which is made publicly available on the Bank's official website at: https://about.pumb.ua/ru/management/supervisory-board.

Members of the Bank's Management Board receive remuneration in accordance with employment contracts approved by decisions of the Supervisory Board. The procedure for payment of remuneration to members of the Bank's Management Board is also regulated by the Regulation on Remuneration to Members of the Management Board of JSC "FUIB", as approved by the decision of the Supervisory Board dated 18 February 2021.

Details on the amount of the remuneration paid to members of the Management Board in 2021 are disclosed in the Report on Remuneration to Members of the Bank's Management Board which is made publicly available on the Bank's official website at: https://about.pumb.ua/ru/management/head.

13) Information about significant risk factors that affected the Bank's activities during 2021

In the course of its activities, the Bank faces a variety of risks that both positively and negatively affect its sustainability.

1. <u>Liquidity risk</u>

Liquidity risk is the risk that the Bank will incur losses or additional expenses and fail to receive planned revenues due the Bank's inability to ensure financing of its assets growth and/or discharge payment obligations when due. The Bank determines the sufficiency of internal liquidity level by using two indicators of VLA1 – a ratio of primary liquidity, ВЛА2 – a ratio of secondary liquidity. The control over liquidity adequacy under VLA1 and VLA2 ratios is performed on a daily basis. During 2021, the VLA1 and VLA2 ratios were in the green zone of risk tolerance. The risk level is insignificant.

In addition, the liquidity position is assessed and managed by the Bank based on certain liquidity ratios established by the NBU:

- LCR – Liquidity Coverage Ratio;
- H6 – Short-term Liquidity Ratio;
- Net Stable Funding Ratio of the NBU.

The liquidity ratios in accordance with the NBU requirements were met during 2021, with a significant margin of safety. In addition, to monitor its liquidity risk, the Bank uses the system of three-month GAP liquidity.

In 2021, the major factors that affected the Bank's liquidity were as follows:

a) System liquidity (external factor) – the Bank uses its own development (index of the financial market condition in Ukraine) to control the main risk indicators, including the volume of balances on correspondent accounts with counterparty banks with the NBU, the amount of funds placed in the NBU's deposit certificates. During the year, this indicator significantly exceeded the standard of mandatory reservation by almost 2–2.5 times.
b) During 2021, the inflation rate grew to 10%, which resulted in the increase in the NBU's discount rate from 6% in 2020 to 9% as at 1 January 2022 in accordance with the policies of inflation targeting.
c) Continued cooperation with the IMF (external factor). Within the stand-by funding facility agreed in 2020, the first revision of the program was completed, as a result, in November 2021, Ukraine obtained from the International Monetary Fund the second tranche in the amount of about USD 700 million. Also, the IMF agreed the program's extension to late June 2022. The extension of the stand-by program's execution will allow Ukraine receiving next tranches from the IMF in the total amount of over USD 2 billion.

2. <u>Interest rate risk in the banking book</u>

Interest rate risk refers to a potential threat of loss occurrence or additional expenditures and shortfalls in revenues as a result of unfavorable changes in interest rates in the market. The interest rate risk in the banking book generally affects the economic value of the Bank's equity and net interest income of the Bank.

The Bank monitors its interest rate risk in the banking book by using two risk indicators:

- NII – maximum drop in net interest income of the Bank during the next 12 months;
- EVE – maximum drop in economic value of the Bank's equity.

During 2021, the values of NII and EVE were in the green zone of risk tolerance, the green zone of risk tolerance, with a significant margin of safety. The risk level was insignificant.

3. Price risk

Interest rate risk in the banking book arises from unfavorable fluctuations in interest rates that affect the value of debt securities or other instruments with fixed earnings and the value of derivative financial instruments (derivatives) whose underlying variable is the interest rate in the Bank's banking book. In estimating the price risk as the Bank's trading book, the total volume of DGLBs in the Bank's portfolio is taken into account, and a scenario is considered as to a complete sale of the DGLB portfolio to cover the liquidity deficit. During 2021, the price risk indicator was positive for the standard scenario. Rates of the DGLB portfolio were higher than the market ones. The factors of influence were the withdrawal of non-residents from UAH-denominated DGLBs during 2021, continued cooperation with the IMF, and timely fulfillment by the Ministry of Finance of obligations under external debts in 2021. The level of risk was moderate.

4. Currency risk

Currency risk is the risk connected with the impact of unfavorable foreign exchange rate fluctuations on the assets, liabilities, and off-balance sheet positions contained in the Bank's trading and banking books. It is determined as interest of the Bank's equity (maximum value of equity in the budget for 2020) Value-at-Risk calculated by using the VaR methodology for:

- Maximum open currency position;
- Stress assessment based on the historical scenario in the period from 2014 to 2015;
- Confidence level of 99%, estimation period of 10 days, calculation horizon of 250 days. The limit value is set in total for all currencies.

During 2021, the currency risk was in the green zone of tolerance.

The factors of influence were the expected military escalation and price growth for energy products, which caused the increase in USD exchange rates in the period from 10 November 2021 to 6 December 2021 by UAH 1.32. Also, the NBU became more active in currency purchases in the market. The level of risk was moderate.

5. Risk of default of the DGLB issuer

During 2021, the risk of default of the DGLB issuer, under the baseline scenario, was in the green zone of risk tolerance. At the same time, starting from November, quotations of 5-year CDS of Ukraine and Bonds of Ukraine grew, in response to a possible military invasion of Russia. Non-residents continued withdrawing from UAH-denominated DGLBs. The level of risk was moderate.

6. Credit risk of financial institutions

Credit risk refers to a probable loss occurrence or additional expenditures and shortfalls in revenues as a result of a failure to fulfill by a debtor/counterparty bank of its contractual obligations. During 2021, the indicator was in the green zone of risk tolerance. During the year, counterparty banks were restoring their activities after COVID 19 pandemic, and the value of PD in total decreased. During 2021, the risk was affected by two factors: volume of balances on correspondent accounts and fluctuations in probability of default of counterparty banks. The level of risk was moderate.

14) Information about availability of the Risk Management System in the Bank and its key characteristics

The Bank's risk management system is comprehensive, effective, and created with reference to the Bank's size, its business model, scales of activities, type, complexity of the Bank's operations and ensures identification, measurement (estimation), monitoring, reporting, control, and mitigation of all significant risks to which the Bank is exposed in its activities.

In determining the Bank's business goal, Strategies of Risk Management are taken into account which are approved by the Supervisory Board of the Bank.

The main purpose of the Bank's risk management system is to:

- Ensure the Bank's sustainable development as a part of implementation of its business development strategy;
- Ensure and protect interests of shareholders, creditors, customers, including depositors and other persons interested in the Bank's sustainable operation, so that the risks taken by the Bank do not pose a threat to the Bank's existence;
- Strengthen the Bank's competitive advantages as a result of strategic planning in view of the level of risks taken, improve efficiency of risk management and increase the Bank's market value, maintain the Bank's reliability while expanding the product range;

- Increase investors’ confidence through creation of the transparent risk management system, the created corporate management system with constant monitoring on the part of the NBU and other state regulatory authorities.

Risk management system is a guarantee of achieving by the Bank of its tactical and strategic objectives, with unconditional compliance with internal and external restrictions in terms of the structure and capital adequacy in the conditions of normal business development and in crises periods.

Control of capital adequacy by the Bank is carried out both by separate structural units (FCD, Risk Management) and officials, and by the Bank’s Supervisory Board, the Bank’s Management Board, the Chairperson of the Bank’s Management Board, and the relevant committees of the Management Board/Supervisory Board.

The Bank created the following positions: Deputy Chairperson of the Management Board for Risk Management (CRO) and Head of the Compliance Control Department (CCO), which are independent, subordinate, and accountable to the Supervisory Board. CRO/CCO have the right of veto.

Independence of the risk management and compliance control units is ensured by the Supervisory Board by:

- Providing those divisions with direct and unlimited opportunity to discuss risk issues directly with the Bank’s Supervisory Board without the need (obligation) to inform members of the Bank’s Management Board thereof;
- Organizational and functional separation of those divisions from divisions (heads of divisions) of the first and third lines of defense;
- Ensuring a sufficient number of employees of those units and their level of qualification to achieve goals and objectives assigned to them;
- Accounting in the Bank’s budget for a sufficient financial support to those units. Remuneration of employees of those divisions does not depend on the results of work of business units that are subject to control and contributes to the recruitment of qualified employees with an appropriate profile to those divisions. Evaluation of the performance of employees in those divisions is based on achievement of their goals in a way that does not limit their independence;
- Ensuring that those units have access to the information necessary for their effective operation. Managers and other employees of the Bank facilitate the provision of such information;
- Preventing employees of those units from exercising control functions over the activities, for which they were previously directly responsible or in relation to which they previously made decisions to prevent conflicts of interest.

The Supervisory Board receives information from quarterly and annual reports and, in case of the significant risk event or excess of the risk limit, within one business day from the moment of risk detection.

The major unit for identification and assessment of market and operating risks is the Department of General Banking Risks (hereinafter referred to as the “DGBR”), which is subordinate to the Deputy Chairperson of the Management Board for Risk Management (CRO), who is the main risk manager of the Bank, heads the risk management direction, reports to the Supervisory Board of the Bank.

The major units for identification and assessment of credit risks are the Department of Risks of Corporate Clients (large and medium-sized corporate clients), the Department of Retail Risks (retail clients), the Department of Risk Management of Small Businesses (small corporate clients), which are subordinate to the Deputy Chairperson of the Management Board for Risk Management (CRO), who heads the direction of risk management, reports to the Supervisory Board of the Bank.

The major unit for identification and assessment of compliance risks is the Compliance Control Department (CCD), which is subordinate to the CCO and accountable to the Bank’s Supervisory Board.

The Bank ensures the risk management by adhering to the three-line model of defense:

- The first line of defense includes business units and supporting divisions of the Bank. They are the owners of all risks arising in their area of responsibility (especially operating risk and compliance risk). Those units are responsible for identifying and assessing risks, the ability to apply management measures and report on such risks;
- The second line of defense includes the Risk Management units (DRCC, DRR, DRMMB, DGBR) and compliance (CCD);
- At the third line of defense, the Internal Audit Department evaluates effectiveness of the risk management system by units of the first and second levels of defense, including assessment of effectiveness of the internal control system (ICS).

(In Ukrainian Hryvnias and in thousands)

Three lines of defense ensure:

- Risk taking (the first line of defense): structural units of the Bank (business units and supporting divisions) directly prepare and carry out banking operations, are involved in the process of identifying, assessing, and monitoring risks, and comply with the requirements of internal regulatory documents in terms of risk management, as well as take into account the level of risk when preparing the operation;
- Risk management (the second line of defense): the Risk Management (DRCC, DRR, DRMMB, DGBR) and Compliance Control Departments are responsible for risk management, develop the risk management mechanisms, methodology, assess and monitor the levels of risks, prepare risk reports, aggregate risks, calculate the amount of total capital requirements;
- Internal audit (the third line of defense): conducts an independent assessment of the quality of existing risk management processes, identifies violations, and gives suggestions for improving the risk management system.

The management and decision-making process is carried out using the developed and approved policies, regulations, instructions regarding credit, market, and operating risks, as well as liquidity risk. The risk management process is based on consistent passing of the stages of identifying, assessing, making managerial decisions, monitoring the compliance with limits and certain risk indicators, as well as risk control.

The Bank sets the following list of significant risks:

- Credit risk of corporate clients;
- Credit risk of retail business;
- Credit risk of financial institutions;
- Liquidity risk;
- Interest rate risk in the banking book;
- Price risk;
- Currency risk;
- Default risk of the DGLB issuer;
- Operating risk;
- Compliance risk.

The Management Board/Committee of the Management Board and the Supervisory Board take one of the decisions regarding the level of risk:

- “Accept” – risk acceptance, which provides for continuation of the activities without changes in case of possible incurrence of minor losses with a low probability of occurrence (if the excess is due to objective reasons that do not depend on managerial decisions);
- “Transfer Risk” – risk transfer that involves insurance, mainly risks with potentially significant losses and low probability of occurrence or risks that are under the limited control of the Bank;
- “Minimize Risk” – risk mitigation, which involves adjusting certain processes and introducing additional controls in case of minor losses with a high probability of occurrence as a result;
- “Avert Risk” means risk avoidance, which involves termination of operations and/or closing of positions that lead to significant losses with a high probability of occurrence.

For ensuring sustainable and effective functioning of the entire risk management system, the Bank develops **a risk management culture**, the main tasks of which are as follows:

- Obtaining knowledge and skills in the field of risk management by the Bank’s employees through systematic (regular, distant) training;
- Proper use of risk management tools by managers and employees in their daily activities;
- Shaping employees’ skills in correct and timely use of risk management tools;
- Open and active communications within the Bank regarding the values and principles of risk management culture.

(In Ukrainian Hryvnias and in thousands)

In order for both the Bank's managers and other employees to comply with the risk management culture, management of JSC "FUIB" creates the necessary atmosphere (tone at the top) by:

- Defining and complying with the corporate values, as well as monitoring compliance with such values (approval of the Code of Corporate Ethics and monitoring compliance therewith by all employees);
- Ensuring that both the Bank's managers and other bank employees understand their roles in the risk management to achieve the Bank's business goals, as well as responsibility for violating the established level of risk appetite (training and testing of knowledge on the RMS and ICS);
- Promoting risk awareness by ensuring that all units of the Bank are systematically informed about the strategy, policy, procedures for risk management and encouraging the free exchange of information and critical assessment of risk acceptance by the Bank (publishing information on the RMS and the results of its functioning on the internal corporate portal);
- Obtaining confirmations that managers and other employees of the Bank have been informed about disciplinary sanctions or other actions that would be applied to them in case of unacceptable behavior/violations in the Bank's activities (familiarization with regulatory documents via electronic document management/under signature).

The existing risk management system evolves along with the Bank's development and is based, among other things, on the experience of overcoming major systemic crises in 1999, 2004, 2008, and 2014. The Bank's management is confident that the Bank has developed a mature risk management system at the current stage, which allows it to effectively mitigate both current and strategic challenges. The developed risk management system of the Bank meets the the NBU's requirements defined by Resolution of the NBU's Management Board No. 64 dated 11 June 2018 "On Approving the Regulation on Organization of Risk Management System in the Banks of Ukraine and Banking Groups".

15) Information about results of functioning of the Internal Control System during the year and its key characteristics

The Bank has implemented an effective and efficient internal control system.
The Internal control system ("ICS") is a set of organization structure of the Bank, procedures, measures for internal control aimed at:

- Achieving of the Bank's goals, including the fulfillment of planned indicators of its activities, ensuring efficiency and progress in operations carried out by the Bank, as well as preserving its assets;
- Ensuring effectiveness of corporate governance in the Bank through functioning of the comprehensive, effective, and adequate risk management system;
- Ensuring effectiveness of the transactions conducted, protection from potential errors, violations, damages, losses in the Bank's activities;
- Ensuring functioning of the comprehensive, adequate, and effective risk management system;
- Providing adequate, comprehensive, complete, reliable, available, timely information to users (interested units) to take relevant management decisions;
- Ensuring reliability, completeness, objectivity, and timeliness of preparation and submission of the financial and statistical statements and other reports to internal users, shareholders, customers, counterparties, and/or state regulatory authorities;
- Ensuring timeliness and reliability of reflecting transactions in the Bank's accounting records;
- Ensuring compliance (monitoring the compliance of (fulfillment by) the Bank with the legislation requirements, regulations, market standards, fair competition rules, corporate ethics rules, internal banking documents, as well procedures on settlement of conflicts of interest;
- Ensuring effective personnel management;
- Implementing target operating process models with the sufficient level of automation and available required controls to prevent and/or minimize potential risks which are defined as significant for the Bank;
- Preventing the Bank's involvement in illegal financial transactions, including excluding the illegal currency transactions held by the Bank's customers (both residents and non-residents), preventing and detecting the financial transactions related to legalization (laundering) of proceeds from crime or financing of terrorism;
- Ensuring completeness, timeliness, and reliability of preparation and provision of the financial, statistical, management statements and other reports; compliance of the Bank's activities with the legislation of Ukraine, regulatory legal acts of the National Bank of Ukraine, standards of professional associations that apply to the Bank, and internal banking documents.

(In Ukrainian Hryvnias and in thousands)

The main goal of ICS is to provide the Bank's management with a reasonable guarantee of achieving the overall goals and objectives of the Bank, improving the level of internal control organization, efficiency of internal control functioning and improving effectiveness of the tasks performed as well as ensuring stability, security, and effectiveness of operations and processes of the Bank.

The Bank's ICS consists of the following components: control environment, management of risks inherent in the Bank's activities, including compliance risk, control activities in the Bank, control over information flows and communications, monitoring effectiveness of the Bank's internal control system.

Objectives of implementing the Bank's internal control system are as follows:

The ICS of JSC "FUIB" ensures the achievement of operating, information, and compliance objectives of activities:

- ***Operating objectives of activities:***

– Ensuring that controls are targeted at the efficiency of managing assets, liabilities, and off-balance sheet positions of the Bank in order to achieve profitability of its activities by avoiding or limiting losses as a result of adverse internal and external factors;
– Conducting a systemic process for detecting, measuring, monitoring, controlling, reporting, and mitigating all types of risk at all organization levels of the Bank.

- ***Information objectives of the Bank's activities:***

– Ensuring integrity, completeness, and reliability of the financial and management statements and other information used for making management decision and creating data flows both for the vertical and horizontal organization structure of the Bank. Such information includes the Bank's reporting on financial and non-financial issues provided to external and internal users.

- ***Compliance objectives of the Bank's activities:***

– Ensuring that the activities of JSC "FUIB" are organized in compliance with the requirements of the legislation of Ukraine, internal banking regulations, standards of professional associations to which the Bank is exposed.

Functioning of the Bank's internal control system is ensured through interaction of governing bodies and functional structural units, i.e.:

- The Supervisory Board approves the risk management policies and policies for organizing the Bank's internal control system, monitors effectiveness of the Internal control system and efficiency of eliminating its shortcomings by the Management Board;
- The Audit Committee of the Supervisory Board, which commenced its activities on 1 January 2019, as an advisory body of the Supervisory Board, ensures supervision and evaluation of effectiveness of the internal audit and the ICS of the Bank, monitors implementation by the Bank's Management Board of the necessary measures to eliminate deficiencies aimed at implementing recommendations and conclusions of internal and external auditors, as well as external supervisory bodies of the Bank regarding the ICS within the established time frame, as a result of which it provides relevant recommendations to the Supervisory Board;
- The Management Board of the Bank is responsible for creation of the ICS, which ensures timely identification of trends that may threaten the future of the Bank, regulates creation of an organization structure that complies with the principles of the Internal Control System, and ensures segregation of responsibilities that exclude conflicts of interest;
- The Operating Risk Management Committee tactically implements the strategy for introducing and developing the Internal Control System, approves and provides current monitoring of effectiveness of the Internal Control System as 'the second line of defense';
- CRO and Risk Management Units (the Department of General Banking Risks, the Department of Risks of Corporate Clients, the Department of Retail Risks, the Department of Small Business Risk Management) by default ensure development and application of policies and methods for measuring and controlling credit, market, and operating risks, and are responsible for the quality of implementation of measures aimed at monitoring of the internal control system (except for evaluation of effectiveness of the internal control system);
- CCO and the Compliance Control Department ensure development and implementation of the compliance risk management system, compliance with the legal requirements and ethical rules established in the Bank;

(In Ukrainian Hryvnias and in thousands)

- The Internal Audit Department (the “IAD”) ensures an independent assessment of adequacy and effectiveness of the internal control system and is responsible for the quality of this assessment. The IAD carries out activities to provide independent and objective guarantees and advice aimed at improving the Bank’s activities, helps the Bank achieve its goals, using a systematic and consistent approach to evaluating and improving effectiveness of the risk management processes, internal control, and corporate governance system.

The Bank’s internal control system is implemented at **“Three lines Model”**:

1) Business units and supporting divisions form **the first line**. They are the owners of all risks (especially operating and compliance risks) that arise in their field of activities. Those units are responsible for identifying and assessing risks, taking management measures, and reporting on such risks.

At the first line of defense, in the units, the Bank appoints employees responsible for internal control of operating risk – risk officers within the framework of the Operating Risk Management System (the “ORMS”), performing additional functions on operating and compliance risk management (identify events, ensure recording of information about them, inform units of the second line of defense, etc.).

All structural units of the Bank are responsible for compliance with the requirements of the Bank’s internal documents on risk management in the course of their activities.

2) At **the second line**, risk management units and Compliance Control Departments within their competence perform the following functions in terms of risk management:

- Elaborate, implement, and continuously develop the risk management system for certain types of risks;
- Ensure timely identification, measurement, monitoring, control, mitigation, and reporting of significant risks;
- Consult the Bank’s structural units on risk management issues;
- Ensure training and awareness of the Bank’s employees on risk management;
- Implement consistent analysis of risks, to which the Bank is exposed in the course of its activities, in order to prepare proposals for making timely and adequate management decisions on risk mitigation;
- Prepare consolidated reports on the results of risk management in the Bank and results of monitoring the Internal control system to the Supervisory Board of the Bank at least once a quarter, the Management Board of the Bank or Collegial Management Bodies (ALMC, ORMC, CC) – at least once a quarter, and, in case of identifying situations that require urgent informing the Supervisory Board of the Bank – no later than the next business day;
- Influence decision-making that exposes the Bank to significant risks, and, if necessary, take all possible measures to properly inform the Bank’s Supervisory Board and the Management Board in order to prevent such decision-making;
- Monitor implementation of risk avoidance, transfer, and mitigation measures;
- Plan and conduct scenario analysis and stress testing;
- Coordinate or control the development of a continuity plan depending on the chosen process management model;
- Coordinate the conducting and analyzing the results of self-assessment of banking risks;
- Providing an expert opinion, coordinate the results of analysis and assessment of risks inherent in new products/significant changes in the Bank’s activities carried out by units of the first line;
- Analyze risks inherent in the Bank’s outsourced activities;
- Shape proposals for the Bank’s risk insurance policies.

3) At **the third line**, the Internal Audit Department evaluates effectiveness of the Internal Control System (the “ICS”), including evaluation of effectiveness of the risk management system by units of the first and second lines. As a part of implementation of planned and unscheduled internal audit tasks, the Internal Audit Department checks availability, assesses complexity, efficiency, and adequacy of the internal control system, conformity of this system to the types and volumes of operations carried out by the Bank, changes in the Bank’s business model, its macroeconomic and business environment, and informs the Audit Committee of the Supervisory Board and the Management Board about results of the audits conducted by providing objective judgments, conclusions, and assessments regarding sufficiency and efficiency of the risk management systems, conformity of those systems to the types and volumes of operations carried out by the Bank, and internal control of the Bank. At least once a year, the Internal Audit Department provides the Audit Committee of the Supervisory Board, the Supervisory Board, and the Management Board with a generalized evaluation of effectiveness of the internal control system as a type of periodic monitoring measures, defining the content, procedure, method, and criteria for evaluating effectiveness of the internal control system.

(In Ukrainian Hryvnias and in thousands)

Based on the results of audits in 2021, recommendations were made to the heads of audited units and the Bank’s Management Board regarding improvement of the internal control system, corporate governance, and the management system for certain types of risks. Information about results of the audits and adoption of recommendations by the heads of units was provided to the Audit Committee of the Supervisory Board and the Bank’s Supervisory Board as part of quarterly reports on results of the Internal Audit Department’s activities.

As at the 2021 year end, the Internal Audit Department performed and presented a generalized evaluation of the Bank’s Internal Control System to the Management Board and the Supervisory Board. This evaluation was carried out using the new version of COSO (Conceptual Framework for Internal Control) methodology, which came into force in May 2013. In general, the Bank’s Internal Control System is rated as ‘mostly effective’, which means:

- All individual ICS components (Component 5) are effective in all significant aspects;
- Most of the individual principles (17 in total) that characterize each component are followed, but individual principles within individual components may not be fully followed;
- There is a chance for improvement, but it does not lead to inefficiency of the internal control system and does not pose a threat to achievement of the Bank’s goals.

16) Information about results of functioning of the Internal Audit System during the year

The Bank’s Internal Audit System is in general effective and meets the requirements of the International Standards for the Professional Practice of Internal Audit and the Code of Ethics of the Institute of Internal Auditors, which is confirmed by the results of internal and external evaluations. The most recent internal audit quality assessment was performed in October 2017 by an independent appraiser, JP GARITTE CONSULTING AND MANAGEMENT ASSURANCE SA, Luxembourg.

17) Information about the facts of alienation of assets during the year in the amount exceeding the amount established by the Bank’s Charter

There were no facts of alienation of the Bank’s assets exceeding the amount established by the Bank’s Charter during the reporting year.

18) Information about results of assets valuation in case of their purchase and sale during the year in the amount exceeding the amount established by the Bank’s Charter

Due to the absence of operations for purchases and sales of assets in the amount exceeding the amount established by the Bank’s Charter during the year, no assets were evaluated.

19) Information about related party transactions, including within the same industrial and financial group or other association, conducted during the year

The Bank pays significant attention to identifying parties related to the Bank, forming, and updating their list to control the risks of transactions with related parties.

The Bank conducts transactions with related parties on market terms, in compliance with the requirements of the legislation regarding coordination/approval of transactions by the Bank’s Supervisory Board/Credit Council. The Bank does not grant loans to any party for repayment by such a party of any obligations to a party related to the Bank; for acquisition of assets of the party related to the Bank, except for the products produced by such a party; for purchase of securities placed or signed by the party related to the Bank.

The Bank submits monthly information to the NBU about its related parties in accordance with the procedure established by regulatory legal acts of the NBU. The process of interaction of the Bank’s units when identifying the parties related to the Bank, forming, updating, and providing the NBU with a list of parties related to the Bank is regulated by the Policy on Interaction between JSC “FUIB” and Related Parties and the Regulation on Formation of a List of Parties Related to JSC “FUIB”.

The Management Board of the Bank approves the list of its related parties on a monthly basis. The Supervisory Board quarterly reviews information about changes in the list of parties related to the Bank, as well as information about transactions with the related parties.

Information about related party transactions, in accordance with IAS 24 “Related Party Disclosures”, is disclosed in Note 30 “Related Party Transactions” of the annual financial statements of JSC “FUIB” for the year ended 31 December 2021.

20) Information about the used recommendations on the audit report made by the authorities responsible for state regulation of banking services

In 2021, the Bank did not receive any recommendations on the audit report from the authorities responsible for regulating banking services.

21) Information about the external auditor of the Bank's Supervisory Board, including that appointed during 2021

By the results of tender for selection of audit entities that may be selected to conduct a statutory audit of the Bank's financial statements, based on the criteria for selecting an audit entity approved by the decision of the Supervisory Board dated 29 April 2021 (Minutes No. 367), taking into account the requirements of the Law of Ukraine No. 2258-VIII dated 21 December 2018, the decision of the Supervisory Board of the Bank dated 11 September 2019, Limited Liability Company "Deloitte & Touche Ukrainian Services Company" (certificate of inclusion to the Register of Audit Firms and Auditors No. 1973 according to the decision of the Audit Chamber of Ukraine dated 22 June 2001) was selected as the Bank's auditor to conduct external statutory audits of the Bank's financial statements for the period from 2021 to 2023.

According to the decision of the Bank's Supervisory Board dated 29 December 2021. Limited Liability Company "Audit Firm "BONDARENKO AND PARTNERS" (Code in the Unified State Register of Enterprises and Organizations of Ukraine 36100363) was selected as an external auditor to provide the Bank with the services of agreed-upon procedures in respect of the interim financial statements as at 30 November 2021 (certificate of inclusion in the Register of Audit Firms and Auditors No. 4206 according to the decision of the Audit Chamber of Ukraine dated 30 October 2008).

22) Information about the activities of external auditor, in particular:

- **Total audit experience:**

Total audit experience of Limited Liability Company "Deloitte & Touche Ukrainian Services Company" is 29 years.

Total audit experience of Limited Liability Company "Audit Firm "BONDARENKO AND PARTNERS" is 13 years.

- **Number of years during which it has been providing audit services to the Bank:**

LLC "Deloitte & Touche Ukrainian Services Company" provides the Bank with statutory audit services for the Bank's financial statements for the first year (elected based on the tender results held in July 2021).

LLC "AF "BONDARENKO AND PARTNERS" provided to the Bank only the services of agreed-upon-procedures as at the interim date of 30 November 2021.

- **List of other audit services provided to the Bank during the year:**

During 2021, LLC "Deloitte & Touche Ukrainian Services Company" and LLC "AF "BONDARENKO AND PARTNERS" did not provide the Bank with other audit services, except for those stated above.

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

During 2021, there were no cases of conflict of interest and/or combination of the functions of an internal audit.

- **Rotation of auditors in the Bank over the past five years:**

The Bank's external auditor, which provided statutory audit services for the Bank's financial statements during the recent five years (from 2014 to 2018), was Limited Liability Company "Ernst & Young Audit Services". In accordance with the requirements of the legislation, in 2019, the auditor was rotated and the new external auditor, PrJSC "KPMG Audit", was elected, which provided statutory audit services for the Bank's financial statements for 2019 and 2020. Upon expiration of contract term with PrJSC "KPMG Audit", in July 2021, the Bank conducted a tender to select an audit entity and elected a new external auditor to render the statutory audit services for the Bank's financial statements for the period from 2021 to 2023, LLC "Deloitte & Touche Ukrainian Services Company".

- **Penalties applied to the auditor by the Audit Chamber of Ukraine during the year and the facts of submitting false financial statements of the Bank confirmed by an audit report identified by the Bank's regulatory authorities:**

The Bank has no information about penalties applied to LLC "Deloitte & Touche Ukrainian Services Company" and LLC "AF "BONDARENKO AND PARTNERS" by the Audit Chamber of Ukraine during 2021 (such information is not available in public sources) and about the facts of submitting false reports of the Bank, confirmed by an audit report detected by the Bank's regulatory authorities.

23) Information about the Bank's protection of rights and interests of consumers of banking services, in particular:

- Availability of a complaint handling mechanism, status of the Bank's consideration of complaints about provision of banking services during the year (nature, number of complaints received, and number of complaints satisfied), availability of claims to court regarding the provision of banking services and the results of their consideration.

In order to protect the rights of consumers of banking services, the Bank has introduced a mechanism for handling appeals (suggestions (comments), applications (petitions), complaints) from customers, counterparties, third parties, which is regulated by the internal banking regulatory document – the Procedure for Handling Complaints, Suggestions, and Recommendations of Customers and Other Interested Parties, which contains a clear distribution of authorities and responsibilities among the parties involved in consideration of appeals. The Bank's customers may get acquainted with the Procedure in an electronic form at contact points with clients.

The Bank uses the following channels for receiving requests from the Bank's clients:

- Phone appeals by the officially designated phone numbers: +38 044 290 7 290, +38 096 290 7 290, +38 050 2907 290, +38 093 290 7 290 (Line of the Customer Service Center for "Persona" customers, Line 0 800 501 495);
- Verbal appeals in an outlet;
- Written appeals in the Bank's outlets;
- Forums and social media;
- Email: Info@fuib.com;
- Website of the Bank;
- FUIB-online: online.pumb.ua/;
- Mobile application of FUIB-Online;
- Internet-banking or Client Banking for corporate clients;
- Mail, written appeals (considered within the procedure indicated);
- Letters of appeals to the National Bank of Ukraine via NBU-post;
- Whistleblowing hotline of SCM.

The process of handling received complaints is carried out centrally at the Bank's level and consists of registering the appeal, reviewing the complaint/proposal, analyzing in detail causes for the complaint and consequences of such a complaint, preparing and providing an exhaustive response, and properly monitoring all stages of the complaint handling process.

The work with a complaint is considered completed after the consumer is notified of the results of consideration and relevant measures are taken. In cases where it is impossible to contact the client (for example, when several attempts to make calls were made within several days, but the subscriber does not answer or the subscriber's number is 'out of range' or 'does not exist'), the complaint is closed with a comment that the client was not provided with a response. Such cases are an exception, and, in the event of a repeated request from the client, the Bank provides him/her with a response under the previous request.

According to Article 20 of the Law of Ukraine "On Citizens' Appeals", appeals are considered and settled within no more than one month from the date of their receipt, and those that do not require additional examination – immediately, but no later than 15 days from the date of their receipt.

(In Ukrainian Hryvnias and in thousands)

Terms for general consideration of appeals are as follows:

Sources of receiving	RB customer	CB customer	Persona customer	Appeals to the NBU
Phone appeals	5 business days	7 business days	3 business days	-
Verbal appeals in outlets	5 business days	7 business days	3 business days	-
Written appeals in outlets	30 calendar days	30 calendar days	30 calendar days	-
Forums and social media	5 business days	7 business days	3 business days	-
Email Info@fuib.com	5 business days	7 business days	3 business days	-
Website of the Bank	5 business days	7 business days	3 business days	-
FIUB-Online online.pumb.ua/;	5 business days	7 business days	3 business days	-
Mobile application of FUIB-Online;	5 business days	7 business days	3 business days	-
Internet-banking or Client Banking for corporate clients	5 business days	7 business days	3 business days	-
Mail, written appeals (considered within the procedure indicated)	30 calendar days	30 calendar days	30 calendar days	-
Letters of appeals to the National Bank of Ukraine via NBU-post				10 calendar days, or from the date indicated in a request
Whistleblowing hotline of SCM	30 calendar days	30 calendar days	30 calendar days	-

The manager for complaints/suggestions/thanks controls the process of closing the client's or other interested party's request.

Each request, whether it is a complaint, statement, or suggestion of a client or other interested person, is perceived by the Bank as an opportunity to improve its work, enhance the quality of services and the level of satisfaction of customers and other interested parties.

The Bank strictly complies with the requirements of the legislation on consumer protection.

The Bank's division responsible for timely consideration and settlement of customer requests, and providing responses based on the results of their consideration, is the Customer Experience Division of the Marketing Department.

During 2021, the Bank received a total of 37,106 requests, of which 29,971 were complaints, 1,378 were thanks, and 1,378 were suggestions.

TOP 5 categories of complaints in 2021:

Services of remote access	6,728
Products of the Bank	5,857
Errors in personal data of customers	5,899
Services to customers	3,810
Outlets	1,073
Marketing communications	1,448

Complaints related to poor quality of customer consulting on the Bank's products, i.e. the Credit Card product, improper operation of remote access services, in particular, web and mobile versions, services to clients, operation of outlets and marketing communications, etc.

All complaints were properly processed by the Bank's relevant units (the Department of Digital Business and Remote Channels Development, the Center for Distant Sales and Services, the Division for Servicing Customers, the Department of Processing the Requests from Banks and Partner Banks).

(In Ukrainian Hryvnias and in thousands)

22,141 customer complaints were completely closed in 2021, while 7,830 complaints were in the process of processing and finalization (such complaints required additional clarifications, finalizing their technical functionality, and making adjustments).

As a result of considering the customer complaints, a feedback will be provided to the client, if required. A significant portion of complaints turned out to be unconfirmed.

As at 31 December 2021, there were no litigation procedures which considered the cases of suits in the amount of 1 or more percent of the Bank's assets under which the Bank acted as a party or legal proceedings under which the Bank's officials acted as a party.

Signed on behalf of the Management Board on 7 October 2022.

S. P. Chernenko (Chairperson of the Management Board)

K. O. Shkoliarenko (Chief Financial Officer)

O. O. Poleshchuk (Chief Accountant)