AVANGARD BANK

JOINT STOCK COMPANY «BANK AVANGARD»

FREE TRANSLATION FROM THE ORIGINAL IN UKRAINIAN

ANNUAL REPORT

JSC «BANK AVANGARD» for 2021

including

REPORT OF MANAGEMENT BODIES «MANAGEMENT REPORT», WHICH INCLUDES CORPORATE MANAGEMENT REPORT

ANNUAL FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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Kyiv

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AVANGARD BANK

АКЦІОНЕРНЕ ТОВАРИСТВО «БАНК АВАНГАРД»

REPORT OF MANAGEMENT BODIES «MANAGEMENT REPORT», which includes CORPORATE MANAGEMENT REPORT OF JSC «BANK AVANGARD»

for 2021

1. INTRODUCTION.

This report is drawn up according to the requirements of the current legislation of Ukraine, namely: requirements of the National Bank of Ukraine regarding the procedure for preparing and publishing the financial statements of the banks of Ukraine, the Laws of Ukraine "On Securities and Stock Market" and "On Financial Services and State Regulation of Financial Services Markets" following the results of the activities of the JOINT-STOCK COMPANY "BANK AVANGARD" (hereinafter referred to as the "Bank"). The reporting year is 2021.

2. NATURE OF BUSINESS.

The National Bank of Ukraine registered the Bank on July 5, 2013. The Bank conducts banking operations in the money and foreign exchange markets in accordance with the banking license No. 269 dated July 5, 2013. The Bank offers its customers a wide range of banking services and products, but focuses its main activities on the currency, money and securities markets, conducting transactions both using its own funds and the funds of the customers.

2.1 The external environment, where the Bank operates.

Measures taken during 2020-2021 around the world to combat the spread of COVID-19 lead to the need to limit business activity, which affects the demand for energy and other products of companies, as well as the need for preventive measures to prevent the spread of coronavirus infection.

According to the reports of experts of the National Bank of Ukraine, the financial sector is successfully undergoing a coronary crisis and is properly performing its functions. Banks entered the pandemic period without significant imbalances, sufficiently capitalized and highly liquid. The work on cleaning and increasing the stability of the banking system, carried out since 2015, has yielded an undeniable positive result. For the first time in history, Ukrainian banks did not increase economic instability during the crisis. On the contrary, they have supported business so far and will help restore economic growth in the future by providing loans.

Since the crisis unfolded, most banks have quickly shifted to working online. To some extent, there has been a structural change in the format of the banking sector. Despite the temporary reduction in the number of operating branches, the availability of banking services has not decreased.

The real sector is also recovering from the corona crisis. Although the dynamics of industries is uneven, the corporate segment as a whole proved to be stable. The quality of banks' corporate portfolios did not deteriorate significantly. Conservative lending standards have contributed to the sustainability of borrowers. Timely restructuring and a small share of loans to vulnerable industries ensured the crisis. New lending was suspended only for a short period in the second quarter. However, since September, the financial system has fully restored its financial intermediation function and is gradually increasing its loan portfolio. Loans to enterprises began to grow. Small business lending demonstrates the best dynamics. Low rates and moderate creditworthiness of the corporate sector create the basis for further credit growth.

Consumer lending has slowed significantly as the crisis unfolded, with both market demand and supply declining. In this segment, overdue volumes increased significantly in the second quarter, which is why some banks restructured unsecured consumer loans in

significant amounts. The NBU believes that the risks of this segment for banks are high, and therefore confirms the increase in the weight of risk on such bank loans to 150% during 2021.

The development of lending will be further facilitated by lower lending rates. From 2020, the banking system operates with single-rate interest rates on deposits. Inflation remained low during the year and monetary policy stimulated. Today, rates on deposits and assets are the lowest in the history of the Ukrainian banking sector. While maintaining macroeconomic stability, lending rates will continue to decline. At the same time, the space for reducing deposit rates is very limited.

The Ukrainian banking sector remains highly profitable due to the stability of operating profits and the absence of significant credit losses. Net commission income only temporarily declined at the peak of the crisis, but recovered sharply in the following months. Net interest income increased due to the maintenance of a high interest rate spread - during the year, interest rates on assets and liabilities decreased in parallel. At the same time, narrowing the spread in the medium term is inevitable. This is a key risk for banks' profitability in the coming years. The challenge for banks is to reduce the use of foreign currency. Demand for foreign currency loans has fallen significantly in recent years, and interest rates on foreign currency government securities have been declining. This increases the incentives for banks to more actively dedolarize their balance sheets.

According to experts from the National Bank of Ukraine, according to macroeconomic and monetary reviews, in December 2021 the uncertainty surrounding the spread of Omicron in a number of countries has held back global economic growth. With the partial release of strategic reserves of the United States, China and Japan, this continued to push towards lower oil prices. Instead, natural gas prices in the European market have reached a new all-time high due to high demand amid Russia's refusal to supply over-contract volumes of gas. An additional factor was the use of the Yamal-Europe gas pipeline in the reverse mode (from Germany to Poland). Only an increase in LNG imports from the United States and wind generation adjusted prices at the end of the month. Steel continued to fall in price due to weak demand from China and the wait-and-see attitude of other buyers. Instead, iron ore has risen in price due to the active accumulation of reserves in anticipation of the resumption of steel production in China. Prices for grain, including wheat and corn, fluctuated at high levels with upward pressure due to strong demand, revised yield estimates in different countries and rising costs due to higher natural gas prices.

In global financial markets, interest in assets of EM countries has declined due to rising global inflation, accelerated strengthening of the Fed's monetary policy (despite the continuation of the ECB's soft policy) and the slow recovery of EM economies due to low vaccination rates and lower fiscal support. At the same time, the increase in key interest rates by most central banks in the EM led to a strengthening of the exchange rates of their currencies against the US dollar.

In November 2021, consumer inflation slowed down (to 10.3% yoy), primarily due to the effects of good harvests and the strengthening of the hryvnia in previous periods. The slowdown in administratively regulated prices also continued due to the annual contracts with a fixed price for gas for the population and constant tariffs for other housing and communal services. At the same time, core inflation rose (to 7.7% yoy) amid rising food prices and services due to high prices for raw materials, energy and rising other production costs, including wages.

Industrial inflation continued to accelerate (to 60.7% yoy) due to a sharp rise in energy supply prices and in industries with a high share of gas costs (chemical, rubber and plastics). At the same time, lower prices for sugar, sunflower oil, iron ore, as well as the cessation of rising steel prices restrained the increase in PPI.

Demand and supply of labor weakened somewhat during the period of increased quarantine. Nevertheless, wage growth accelerated in November (to 19.2% yoy in nominal terms and to 8% yoy in nominal terms). For example, health care wages have risen sharply, presumably due to surcharges in COVID-19 and the hotel and restaurant business, due to less quarantine than last year, including exemptions from vaccine restrictions. persons, agricultural - due to high yields and financial results.

In November, the state budget was executed with a moderate deficit (UAH 11.5 billion) despite a sharp acceleration in expenditure growth (to 37.2% yoy from 1.9% yoy in October). Expenditures increased primarily due to higher spending on road infrastructure, health care (given the prevalence of Covid-19) and social protection. At the same time, revenue growth also accelerated (to 36% yoy). In particular, tax revenues increased due to high financial results of enterprises, wage growth and increasing imports. Due to internal and external attraction, not only the deficit for November was financed, but also significant amounts of funds in national and foreign currency were accumulated in government accounts. Given the significant involvement in December, a significant recovery in expenditures is expected at the end of the year.

In December, the NBU raised the discount rate by 0.5. n. - up to 9.0%. The decision was conditioned by the need to eliminate additional pro-inflation risks and improve inflation expectations, which will contribute to a gradual reduction of inflation to the target. The UONIA overnight interbank rate index also rose, but remained close to the lower limit of the NBU's interest rate corridor due to the preservation of a significant amount of liquidity in the banking system. The yield on hryvnia IGLBs also increased during the initial public offering, reflecting the government's funding needs at the end of the year. This allowed the Ministry of Finance to attract a significant amount of funds, including through demand from non-residents.

In November, banks raised rates on hryvnia deposits, gradually responding to previous NBU decisions to tighten monetary policy. Loan rates did not have a clear trajectory. The weighted average cost of loans to households decreased significantly due to significant amounts of equity loans issued by one of the state-owned banks. On the other hand, the weighted average interest rates on loans to non-financial corporations remained at the level of the previous month. Banks continued to actively increase their loan and deposit portfolios.

In December, the foreign exchange market was mostly balanced. This was facilitated by an increase in export earnings, including agricultural enterprises, and a net supply of cash foreign currency. However, the persistence of geopolitical tensions has negatively affected the mood of market participants. During the month, the National Bank went out with the sale and purchase of foreign currency to smooth out excessive fluctuations in the market. Sales were relatively large and formed a negative balance of NBU interventions (USD 0.2 billion).

The global spread of COVID-19 has significantly affected the economic situation around the world, including Ukrainian companies. A significant number of companies in the country are forced to suspend or limit their activities indefinitely at the date of preparation of these financial statements. Measures taken to curb the spread of the virus, including restrictions on traffic, quarantine, social distances, suspension of infrastructure, etc., are slowing down the economic performance of companies, including the Bank's customers. The financial system in the country at the date of preparation of the Bank's financial statements is relatively stable, but has significant currency risks.

The Bank has determined that these events are not corrective for the interim financial statements for 2021. Accordingly, the financial position of the Bank as at 31 December 2021

and the results of operations for the reporting period ended 31 December 2021 have not been adjusted for the impact of events related to COVID-19. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government support at the date of preparation of these financial statements, remain uncertain, which does not allow a reliable estimate of the extent, duration and severity of these future periods.

On February 24, 2022, the full-scale invasion of the Russian Federation by the territory of Ukraine began. The National Bank promptly made decisions and imposed temporary restrictions on the operation of the foreign exchange market of Ukraine, fixing exchange rates, restrictions on cash withdrawals and a moratorium on cross-border payments, etc. in connection with the declaration of martial law throughout Ukraine. Appropriate actions are necessary to ensure the reliable and stable functioning of the country's financial system and maximize the activities of the Armed Forces of Ukraine, as well as the smooth operation of critical infrastructure.

In view of the above, the Bank's management concludes that the factor of uncertainty in the economic environment in which the Bank operates increases, which leads to a reduction in the planning period and forecasting of key performance indicators.

2.2. Business model, management objectives and strategies for achieving these objectives.

The Bank operates as a universal bank which activities are aimed at providing the customers with all-inclusive servicing and high-quality services by offering a wide range of banking services and products, focusing its main activities on the currency, money and securities markets, conducting transactions both using its own funds and funds of the customers.

The Bank has no branches and economically autonomous structural subdivisions. The customers are serviced at the Head Office at 3 Sholudenka Street in Kyiv.

As for the end of the reporting period, the Bank's customer base is formed by business entities (155 customers), non-banking financial institutions (40 customers), individual customers (159 customers) and individual entrepreneurs (7 customers). The Bank serves 875 accounts and 361 customers in total.

The main aspects of the Bank's activities:

- Trade in securities (mainly in the domestic government loan bonds and corporate bonds of blue chips)
- REPO (repurchase agreement) transactions with the domestic government loan bonds
- Active participation in the interbank credit market
- Forex transactions (including currency forwards, SWAP operations)
- Derivatives transactions (interest rate swaps, futures)

The Bank's activities are based on the principles of reliability, transparency, balance of financial indicators, observance of regulations and best practices of banking activities in the following areas:

Treasury transactions: money market transactions, foreign exchange market transactions, securities transactions, relationships with professional financial market participants - banks, insurance companies, financial intermediaries of the capital markets. Transactions on attracting deposits from the Bank's customers are deemed to be the money market transactions, since they are the source of financing of the Bank's main activities. To ensure such financing, the Bank organized the customer service, document flow associated with all types of transactions and operations, processing of payment orders and notifications in the Customer-Bank System, opening and maintenance of current accounts of the

customers and correspondent banks, including transfer of money funds by means of payment instruments and credit of funds to accounts: maintenance of accounts of customers (residents and non-residents) in foreign currency and non-resident customers in the currency of Ukraine; maintenance of correspondent accounts of the banks (residents) in foreign currency; opening of correspondent accounts with authorized banks of Ukraine in foreign currency and carrying out transactions thereon.

The Bank is aimed at meeting the requirements of the Ministry of Finance of Ukraine for obtaining the status of a primary dealer for the domestic government loan bonds. Following the results of trading in the domestic government loan bonds, the Bank holds positions among the TOP-5 largest market operators.

The Bank was created according to the special concept of the treasury bank, focused on the use of significant experience in its activities with maximum operational efficiency due to the price competition and high technologies.

The Bank's objective is to become an impeccable settlement mechanism with high speed of transactions. As a treasury bank with low administrative costs, the Bank can offer its customers attractive prices for its services. Minimizing the operating cycle time, the Bank maximizes the number of transactions per day and turnover of funds. Thus, the Bank can offer low tariffs, the best one on the foreign exchange quotation market, which, in turn, contributes to better indicators of capital and asset returns than the average market ones.

The authorized capital of the Bank amounted to UAH 200 080 thousand at the date of this Report, which corresponds to the regulatory requirements. The authorized capital of the Bank is divided into 122 000 ordinary registered shares. The shares are fully paid. The nominal value of an ordinary registered share as of December 31, 2021 is UAH 1,640.

In the future, the Bank plans to comply with the requirements of the National Bank of Ukraine regarding the amount of authorized and regulatory capital.

Since the beginning of its activity in 2013 and until now, the Bank's strategy has not changed significantly. Business plans and budgets are reviewed at least once a year in order to clarify the main indicators of the financial market, which are a prerequisite for their preparation, to make appropriate changes in the introduction of new products.

During 2021, the National Bank of Ukraine did not apply to the Bank any prohibitions on the restriction of activities that the Bank may perform in accordance with the issued permits and licenses, and there were no restrictions on the ownership of assets.

In the reporting year, the Bank's management did not make decisions on mergers, acquisitions, divisions, spin-offs or transformations of the Bank or on termination of certain activities of the Bank.

During the reporting year:

- No bankruptcy proceedings have been instituted or a resolution on the Bank's reorganization has been issued, no decision has been made by the Bank's higher governing body or a court to terminate or bankrupt the Bank;
- A loan or credit exceeding 25% of the Bank's assets was not received or provided (except for refinancing operations with the NBU).

3. INDICATORS OF THE BANK DEVELOPMENT IN 2021.

The Bank's assets as at the end of December 31, 2021 amounted to UAH 2 323 671 thousand (as of the end of the day on December 31, 2020 – UAH 1 941 450 thousand).

The quality of assets of JSC "BANK AVANGARD" is good. Highly liquid assets remain the main component of the Bank's assets. Highly liquid assets are mostly represented by IGLBs and NBU certificates of deposit. Funds on NOSTRO accounts are placed in resident banks.

The Bank's liabilities as at the end of December 31, 2021 amounted to UAH 2 083 923 thousand (2020: UAH 1 697 212 thousand). The resource base is formed by loans obtained from the NBU through refinancing, customer funds, in particular short-term funds of legal entities and individuals. The portfolio of client funds as of the end of December 31, 2021 amounted to UAH 820 386 thousand (2020: UAH 789 622 thousand).

During the second quarter of 2021, JSC BANK AVANGARD issued and placed Series A bonds in the amount of 100,000 (one hundred thousand) pieces, with a nominal value of UAH 1,000.00 per bond, maturing on April 8, 2026 and Series B bonds in the amount of UAH 100,000. 000 (one hundred thousand) pieces, with a nominal value of one bond of UAH 1,000.00, maturing on April 7, 2027.

During the third quarter of 2021, JSC BANK AVANGARD repurchased Series A own debt bonds in the amount of 77,500 (seventy-seven thousand five hundred) maturing on April 8, 2026 and Series B bonds in the amount of 97,500 (ninety-seven thousand five hundred) pieces maturing on April 7, 2027.

As of January 1, 2022, the total amount of placed bonds of own debt amounted to UAH 25 million.

In order to diversify the resource base, the Bank decided in 2021 to issue discount certificates of deposit. On December 29, 2021, the National Depository of Ukraine registered the first in Ukraine issue of deposit certificates of the bank, the issuer of which was JSC BANK AVANGARD.

As of January 1, 2022, the Bank has placed discount certificates of deposit in the amount of UAH 1 million.

As at the end of December 31, 2021, the Bank's Equity amounted to UAH 239 748 thousand (2020: UAH 244 238 thousand). The main component of Equity is the authorized capital of the Bank.

As of the end of December 31, 2021, the regulatory capital of the Bank amounted to UAH 238 397 thousand, including level I capital in the amount of UAH 209 757 thousand and level II capital in the amount of UAH 29 640 thousand and the return – UAH 1 000 thousand.

During the reporting period, the Bank complied with the economic standards of the National Bank of Ukraine, which at the end of December 31, 2021 had the following meanings:

	Characteristic value	**As at 31 December 2021**	**As at 31 December 2020**
Regulatory capital ratio (N1)	UAH 200 000 thousand	UAH 238 397 thousand	UAH 243 480 thousand
Regulatory capital adequacy ratio (N2)	Not less than 10%	37,36%	91,12%
Short-term liquidity ratio (N6)	Not less than 60%	105,47%	79,67%
LCRBB	100%	472,1178%	253,9453%
LCRIB	100%	342,1157%	269,8491%

In order to monitor banks' liquidity, the National Bank has introduced the following liquidity ratios: short-term liquidity (H6) and liquidity coverage ratio (LCR), for all currencies (LCRBB) and for foreign currency (LCRIB).

Liquidity Coverage Ratio (LCR) is a liquidity ratio that sets the minimum level of liquidity required to cover a net expected cash outflow for 30 calendar days, taking into account the stress scenario (hereinafter referred to as net expected cash outflow).

The Bank calculates its Liquidity Coverage Ratio (LCR) daily as the ratio of high quality liquid assets to the expected net cash outflow.

Following the results of 2021, the Bank's activities are income-generating and the net profit amounted to UAH 10 455 thousand.

More information is provided in the Annual Financial Report of the Bank for 2021.

Credit-Rating Independent Credit Rating Agency confirmed the Bank's credit rating at uaAAA level on March 22, 2022, the forecast is "negative". The credit rating report is available at: https://avgd.ua/wp-content/uploads/AVNG-001-017-short.pdf

4. PLANS OF THE BANK FOR 2022 AND FOR LONG-TERM PROSPECTS.

Preparation and approval of the Bank's business plan and development strategy for 2022-2024 were carried out in December 2021 in accordance with the Bank's internal documents. These strategic development plans of the Bank did not provide for the possibility of destabilization in the banking market due to the imposition of martial law in Ukraine.

In 2022, due to changes in market conditions, the Bank plans to maintain a portfolio of IGLBs in the amount of ~ UAH 1 000 million. The Bank plans to raise funds from the National Bank of Ukraine, other banks and counterparties under the best market conditions in order to invest in IGLBs. The remaining assets will consist of funds in other banks and short-term loans to reliable borrowers. At the same time, 85% of the Bank's assets are placed for up to 30 days, and at least 85% of assets are highly liquid, as they consist of interbank credit operations, portfolio of domestic government bonds and balances on correspondent accounts in the most reliable banks in Ukraine and foreign banks. At least 90% of attracted funds of clients are funds of legal entities. This structure of assets will be maintained until certain decisions are made on the introduction of new products in the coming years.

At the same time, the Bank does not conduct and does not plan to conduct cash transactions, as well as to conduct retail business, except for operations with IGLBs for private investors.

High profitability (RoA, RoE) and relatively low operating efficiency (Cost-to-Income Ratio) compared to the industry average confirms the economic feasibility of the concept of the bank and its high manufacturability.

At the same time, the Bank is dependent on interest rates and changes in exchange rates. Therefore, a promising area of work is the introduction of new products with an emphasis on increasing the share of commission income in the Bank's income structure, secured guarantees, short-term overdrafts, currency forwards, NDF, FX SWAP transactions with customers, attracting large companies interested in the Bank's services, development of transactional business.

To interest customers and promote the Bank's services, it is planned to improve all sales channels, including improving the Bank's website, information work (analytical reports, reviews, legal opinions and recommendations to customers, etc.), mechanisms for

attracting new customers to service the Bank and optimizing operating procedures. , which must meet the requirements of the time in terms of speed and ease of conclusion of transactions and reliability of calculations.

In the coming years, the Bank plans to intensify cooperation with counterparties in Ukraine in terms of expanding the range of clients interested in the services of the Treasury Bank in order to set settlement and blank limits for the Bank.

An important area of work is also the opening of direct correspondent accounts with leading international banks.

In 2021, the Bank confirmed the compliance of its procedures with the requirements of international standards for quality management system ISO 9001 and information security management system ISO 27001. In the following years the Bank plans to build a business continuity management system according to international standard ISO 22301.

The high reliability of the Bank's IT services, located in the De Novo cloud environment and provided with high-speed aggregate communication channels, provides the Bank's customers with uninterrupted secure access to the remote service system and allows for fast settlements. The Bank plans to continue to improve information security and continuity of services, to maintain compliance of banking settlement technologies with the best standards of practice.

It plans to strengthen the cryptographic stability of its payment mechanisms and systems, will work on creating an innovative platform for the development of new products and services. This will be facilitated, among other things, by the introduction of new products for ensuring, monitoring and auditing information security, continuing the use of EDS in the Bank's activities, expanding the scope of electronic document management.

The Bank's goal is to become absolutely Digital Bank by the end of 2023, as far as the current legislation will allow, while maintaining its own business model. To this end, all operating procedures will be optimized, new software products will be introduced, which will automate all routine procedures, speed up all necessary database checks, perform settlement operations as efficiently as possible to maintain high reliability and high profitability of the Bank.

The key indicators of the Bank's efficiency are the indicators of profit, return on assets and capital, capital adequacy, net interest margin and Cost-to-Income Ratio, compliance with mandatory economic standards set by the National Bank of Ukraine.

Given the imposition of martial law in Ukraine, the introduction of restrictions by the NBU, the main purpose of which is to maintain stability and efficient operation of the banking system of Ukraine, the Bank, in turn, does everything possible to maintain financial stability in the new banking and economic environment.

In the long run, the Bank does not plan significant changes in its strategy.

5. THE BANK'S NEED FOR FINANCING.

In view of the special concept and business model of the Bank as a treasury bank, we believe that the Bank does not require additional financing for its activities; its authorized capital is sufficient to meet regulatory requirements for the period of up to 2023.

6. RESOURCES OF THE BANK.

The key financial resources of the Bank are the capital and borrowed funds of other banks and clients of the Bank. The authorized capital is over 90% of the Bank's Equity. The high level of capitalization reduces the Bank's sensitivity to risks and provides an opportunity for further development.

During the analyzed period, funds from other banks were raised on an overnight basis and through REPO transactions.

At the end of the reporting period, customer funds accounted for more than 40% of the Bank's liabilities. Despite the predominance of funds in current accounts of customers against the background of concentration of liabilities to major creditors, the lack of a regional network, small number of customers and predictability of their cash flows, as well as a significant amount of highly liquid assets, reduce the Bank's sensitivity to liquidity risk.

The Bank's liabilities, which are mainly formed by NBU refinancing loans and funds of economic entities, the small size of the loan portfolio and the structure of its collateral, as well as the high level of capitalization and acceptable level of provisions for active operations reduce the Bank's sensitivity to risks.

Key non-financial resources of the Bank: intellectual capital of the Bank's staff, technological resources. The bank is equipped with premises, office equipment, banking equipment and special technical means to create a security system. The amount of funds invested by the Bank in fixed assets is insignificant.

7. CORPORATE MANAGEMENT REPORT.

7.1. OBJECTIVE OF ACTIVITIES OF THE FINANCIAL INSTITUTION.

According to its Charter, the Bank has the following objectives:

- satisfaction of public needs in banking services;
- attraction, accumulation, provision of movement and redistribution of money supply;
- as well as gaining of profit based on the results of its activities.

7.2. THE CORPORATE GOVERNANCE CODE THE BANK IS GUIDED BY.

The corporate governance in the Bank is carried out according to the requirements of the current legislation of Ukraine, including the Law of Ukraine "On Banks and Banking", the Law of Ukraine "On Joint Stock Companies", laws and regulations of the National Bank of Ukraine and the National Commission on Securities and Stock Market, as well as according to the Charter of the Bank and the Corporate Governance Code of 1he Bank, which are available on the Bank's website (https://avgd.ua/about/dokumenty-banku/)

The Corporate Governance Code of the Bank defines the principles of corporate governance in the Bank, the principles of protecting the interests of shareholders, depositors and other stakeholders, the principles of transparency of decision-making, the responsibility of the Bank's managers and information openness.

The Bank has been complied with the Corporate Governance Code of the Bank and the principles specified therein during 2021, there were no deviations.

The Bank did not take decisions on the non-application of some provisions of the Corporate Governance Code of the Bank and/or the application of the corporate governance codes of stock exchanges, legal entity associations or other corporate governance code.

The Bank does not have any other corporate governance practices that apply beyond the legal requirements.

7.3. HOLDERS OF THE SUBSTANTIAL SHAREHOLDING IN THE BANK.

The Bank's shareholder is WESTAL HOLDINGS LTD (Limassol, Republic of Cyprus), which is

The shareholder of the Bank is WESTAL HOLDINGS LTD (location: Evagora Papachristoforou, 18, PETOUSSIS BUILDING, office 101B, 3030, Limassol, Republic of Cyprus), which has a significant stake in the Bank and as at January 1, 2022, it directly owns 100.00% of the authorized capital of the Bank.

Indirectly, the owners of significant participation in the Bank are:

- Legal Entity ICU HOLDINGS LIMITED (Location: Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands), which indirectly owns: 100.00% stake in the Bank through 100% stake in the legal entity WESTAL HOLDINGS LTD;
- Legal entity NAREMIUS HOLDINGS LTD (Location: Tortola Pier Park, building 1, 2nd floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands) which indirectly owns: 50% stake in the Bank through the legal entity ICU HOLDINGS LIMITED, which indirectly owns: 100.00% stake in the Bank through 100% stake in the legal entity WESTAL HOLDINGS LTD;

- Legal entity FILTESA HOLDINGS LTD (Location: Tortola Pier Park, building 1, 2nd floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands) which indirectly owns: 50% stake in the Bank through 50% stake in the legal entity ICU Holdings Limited, which indirectly owns: 100.00% stake in the Bank through 100% stake in the legal entity WESTAL HOLDINGS LTD and

A group of persons with common economic interests, namely:

- Individual Stetsenko Kostyantyn Viktorovych, who indirectly owns 50% stake in the Bank through 100% stake in the legal entity NAREMIUS HOLDINGS LTD though the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% in the Bank through 100.00 % stake in the legal entity WESTAL HOLDINGS LTD; and
- Individual Paseniuk Makar Yuriyovych, who indirectly owns 50% stake in the Bank through 100% stake in the legal entity FILTESA HOLDINGS LTD through the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100.00% in the Bank through 100.00 % stake in the legal entity WESTAL HOLDINGS LTD.

Holders of significant shareholding meet the requirements established by the current legislation of Ukraine.

The Bank's management does not own the Bank's shares. No decisions were made on the repurchase of own shares.

7.4. THE BANK'S MANAGEMENT SYSTEM.

The supreme governing body of the Bank is the General Meeting of Shareholders. In the period between the General Meeting of Shareholders, the protection of shareholders' rights, as well as control and regulation of the Management Board is carried out by the Supervisory Board of the Bank within its competence.

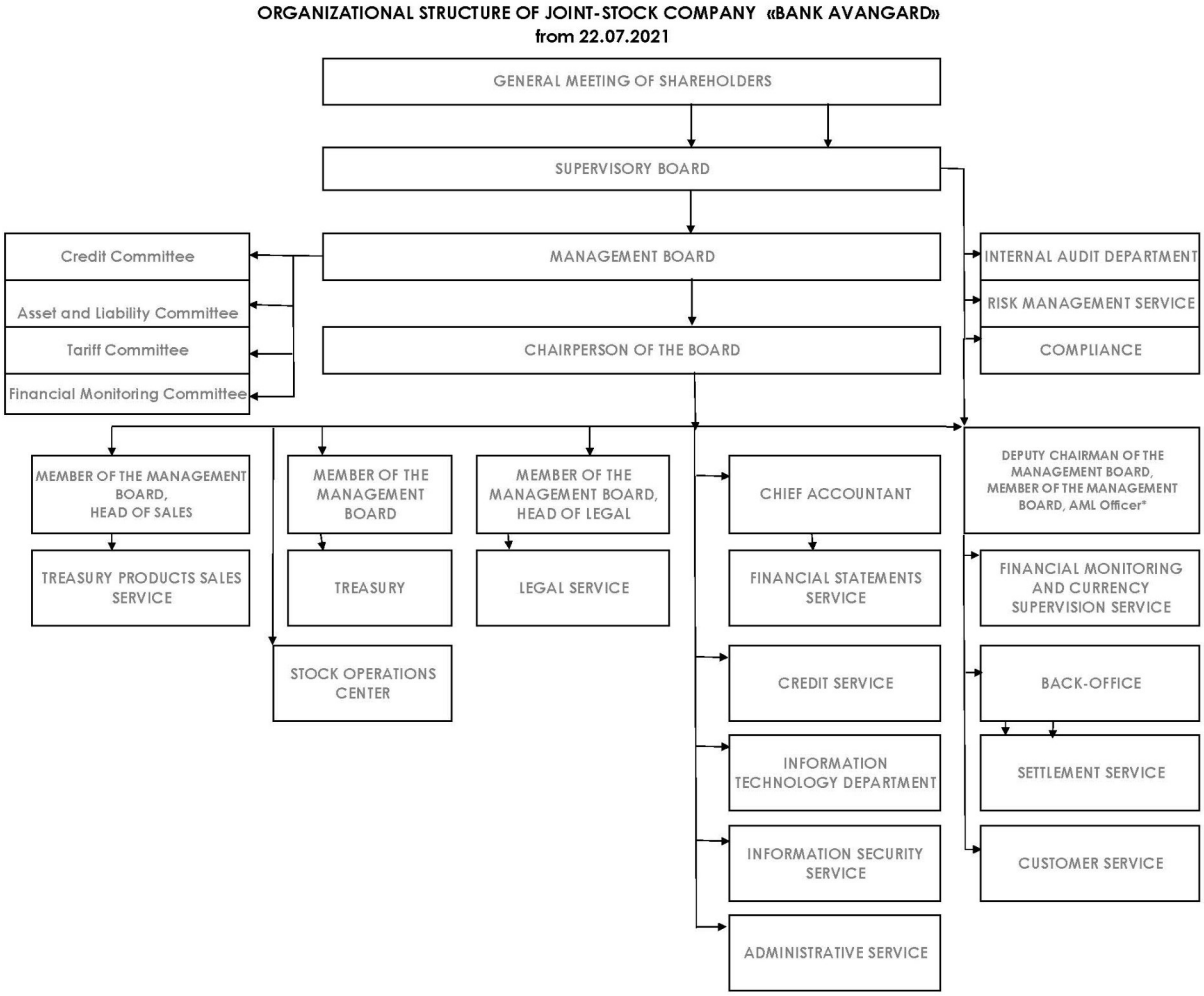
The exclusive competence of the Supervisory Board includes issues of approval of the Regulations and other internal documents of the Bank, which regulate issues related to the activities of the Bank, the approval of which is attributed to the competence of the Supervisory Board; approval of the provisions governing the activities of the Bank, except for those referred to the exclusive competence of the General Meeting, and those that have been transferred to the Management Board of the Bank for approval by the decision of the Supervisory Board; decision-making on holding the General Meeting of Shareholders, approval of the agenda of the meeting and inclusion of proposals in the agenda of the meeting, election of the registration commission, decision-making on the date of their holding; decision-making on redemption and placement by the Bank of other securities, except for shares; approval of the market value of the property in cases provided by law; election and termination of powers of the Chairman and members of the Management Board of the Bank, control over the activities of the Management Board; decision-making on removal of the Chairman of the Management Board of the Bank from the performance of his powers and election of a person who will temporarily exercise the powers of the Chairman of the Management Board of the Bank; election of the Bank's auditor; creation of the Bank's internal audit service and approval of its regulations, decision on appointment and dismissal of the head of the internal audit service; determination of the external auditor and the terms of the contract with him; establishing the procedure for conducting audits and control over the financial and economic activities of the Bank; making a decision on compensation for losses; resolving issues on the Bank's participation in associations, on the establishment, reorganization and liquidation of other legal entities, branches and representative offices of the Bank, approval of their statutes and regulations; determining the probability of declaring the Bank insolvent as a result of its assumption of obligations or

their fulfillment, including as a result of payment of dividends or redemption of shares; decision-making on election of the Bank's property appraiser; decision-making on election (replacement) of the registrar of owners of registered securities of the Bank or the depository of securities and approval of the terms of the agreement to be concluded with him, establishment of the amount of payment for his services; as well as other issues determined by the current legislation or delegated to the Supervisory Board by the General Meeting of Shareholders.

The executive body of the Bank is the Management Board, which manages the current activities of the Bank, the formation of funds necessary for the statutory activities of the Bank, and is responsible for the effectiveness of its work in accordance with the principles and procedures established by the Bank's Charter, General Meeting and Supervisory Board. The Management Board of the Bank is accountable to the General Meeting of Shareholders and the Supervisory Board of the Bank and organizes the implementation of their decisions. The Management Board of the Bank decides on the management of the activities of separate structural subdivisions of the Bank, monitors the Bank's compliance with the requirements of the current legislation of Ukraine; organizes operations of storage of cash and valuables of the Bank, accounting and reporting, internal control and other issues of the Bank's activity; considers and approves internal documents of the Bank within its competence, decides on the establishment, management and liquidation of structural units of the Bank, except for those decisions on which are exclusively the competence of the Supervisory Board of the Bank, and exercises other powers under current legislation of Ukraine.

The organizational structure of the Bank is built on the main lines, each of which is subordinated to one of the members of the Management Board of the Bank.

Organizational structure of the Bank



The number of employees of the bank at the end of 2021 is 26 people. The Bank does not plan a significant increase in staff or significant personnel changes. The Bank has no separate structural subdivisions.

Managers and officials of the Bank have sufficient experience in their field of activity, relevant education and proven impeccable business reputation.

7.5. INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS (MEMBERS) AND GENERAL DESCRIPTION OF THE DECISIONS MADE AT THE MEETINGS.

The sole shareholder of the Bank, the owner of 122,000 units of ordinary registered shares of the Bank, which make up 100% of the authorized capital of the Bank, is: WESTAL HOLDINGS LTD, a company established and operating in accordance with the legislation of Cyprus, registration number - HE244019 (hereinafter - the "Shareholder").

According to Article 49 of the Law of Ukraine "On Joint Stock Companies" (hereinafter - the Law), the provisions of Articles 33 - 48 of the Law on the procedure for convening and holding general meetings of shareholders do not apply to a company with one shareholder.

The decision of the Shareholder has the status of the minutes of the General Meeting of Shareholders of the Bank.

During 2021, there were no restrictions on the rights of participation and voting of shareholders at the General Meeting of Shareholders of the Bank.

In 2021, the sole shareholder of the Bank made such decisions.

Date	Agenda	Decisions taken
11.01.2021	1. About the Bank's significant transactions	To allow the Bank from 01.011.2021 to 31.12.2021 (inclusive) significant transactions each amounting to UAH 350.00 million (inclusive), concerning: purchase / sale and repo transactions of domestic government bonds of Ukraine and / or certificates of deposit National Bank of Ukraine; conducting transactions of purchase / sale of foreign currency; raising funds on the interbank market; raising funds from clients, as well as carrying out credit operations that are fully secured by cash coverage and / or pledge of property rights to deposit in the Bank. When conducting active operations, the Bank is obliged to comply with the debt limit of one counterparty (mandatory economic standard H7, set by the National Bank of Ukraine) both during external settlements and during the term of this operation, except for transactions under agreements advance payments in favor of the Bank. These restrictions do not apply to operations on the transfer of funds between the Bank's own correspondent accounts (NOSTRO accounts) in correspondent banks, the amount (limits) of balances for which is determined by a separate decision to determine the limit of the balance on the correspondent account. Decisions in this paragraph do not apply to transactions with the National Bank of Ukraine To allow the Bank to enter into significant transactions with the National Bank of Ukraine each amounting to UAH 7,000.00 million. (inclusive), concerning: conducting active operations with the National Bank of Ukraine related to credit risk, including, but not limited to, operations of purchase / sale of certificates of deposit of the National Bank of Ukraine, as well as operations on obtaining refinancing loans from the National Bank Of Ukraine (including overnight) in accordance with the General Loan Agreement with the National Bank of Ukraine and interest rate swap operations in accordance with the General Agreement on interest rate swap operations with the National Bank of Ukraine concluded in accordance with the Shareholder's decisions

18.03.2021	1. On consideration of the report of the Management Board of the Bank on the results of financial and economic activities of the Bank for 2020. and deciding on the results of its consideration.	1. To approve the report of the Board of JSC BANK AVANGARD on the results of financial and economic activities of the JSC BANK AVANGARD for 2020.
	2. On consideration of the report of the Supervisory Board of the Bank for 2020. and deciding on the results of its consideration.	2. To approve the report of the Supervisory Board of JSC BANK AVANGARD for 2020.
	3. On approval of the Regulations on remuneration of members of the Supervisory Board of the Bank;	3. To approve the Regulations on Remuneration of Members of the Supervisory Board of JSC BANK AVANGARD.
	4. On approval of the Report on Remuneration of Members of the Bank's Supervisory Board;	4. To approve the Report on Remuneration of Members of the Supervisory Board of JSC AVANGARD BANK.
	5. On termination of powers of members of the Supervisory Board.	5. To terminate the powers of the Supervisory Board of JSC BANK AVANGARD consisting of: - Stetsenko Konstantin Viktorovich - Chairman of the Supervisory Board; - Pasenyuk Makar Yuriyovych - Member of the Supervisory Board; - Kilmukhametov Ruslan Ildarovich - Member of the Supervisory Board; - Stetsenko Mykola Volodymyrovych - independent member of the Supervisory Board; - Gladun Viktor Volodymyrovych - independent member of the Supervisory Board; - Kurinny Oleg Mikhailovich - an independent member of the Supervisory Board.
	6. On election of members of the Supervisory Board.	6. To elect the following axes as members of the Supervisory Board of JSC BANK AVANGARD: - Stetsenko Konstantin Viktorovich (Shareholder's representative); - Pasenyuk Makar Yuriyovych (Shareholder's Representative); - Kilmukhametov Ruslan Ildarovich (Shareholder Representative); - Stetsenko Mykola Volodymyrovych (independent member of the Supervisory Board); - Gladun Viktor Volodymyrovych (independent member of the Supervisory Board); - Kurinny Oleg Mikhailovich (independent member of the Supervisory Board).
	7. On approval of the terms of agreements with members of the Supervisory Board, establishment of the amount of their remuneration, election of the person authorized to sign them.	7. Approve the terms of agreements concluded with the Chairman and members of the Supervisory Board of the Bank, as well as the amount of their remuneration. To elect Korchynska S.A., the Chairman of the Board of the Bank, as the person authorized to sign agreements with the Chairman and members of the Supervisory Board of the Bank.
		8. To approve the report and conclusion of the external auditor of AC CROWE UKRAINE LLC on the results of the

	8. On consideration of the conclusions of the Bank's external audit for 2020 and approval of measures based on the results of their consideration.	audit of the annual financial statements of the JSC BANK AVANGARD for 2020 without comments and additional measures.
	9. On approval of the results of activities and the annual report of the Bank for 2020.	9. To approve the annual report (annual financial statements) of the JSC BANK AVANGARD for 2020 To approve the results of the JSC BANK AVANGARD for 2020, namely the profit in the amount of UAH 10,260,179.14.
	10. On the distribution of profits for 2020	10. The profit of JSC BANK AVANGARD according to the results of activity in 2020 in the amount of UAH 10,260,179.14 to be distributed as follows: - The part of the profit in the amount of UAH 513,008.96 to be sent to the reserve fund of JSC BANK AVANGARD; - To leave part of the profit in the amount of UAH 9,747,170.18 undistributed.
	11. On making changes and additions to the Bank's internal documents.	11. To amend the Regulations on the Supervisory Board of JSC BANK AVANGARD and approve it in a new wording. To amend the Regulations on the Management Board of JSC BANK and approve it in a new wording.

7.6. THE SUPERVISORY BOARD OF THE BANK.

The Supervisory Board of the Bank is a collegial body that protects the rights of shareholders and, within its competence defined by law, the Bank's Articles of Association and the Regulations on the Supervisory Board of the Bank controls and regulates the activities of the Management Board.

The Supervisory Board collectively makes decisions within its competence and ensures the implementation of the decisions of the Supreme Body of the Bank - the General Meeting of Shareholders.

The Supervisory Board reports to the General Meeting of Shareholders on its activities, the general condition of the Bank and the measures taken by it to achieve the goals and strategic goals of the Bank.

The purpose of the Supervisory Board is to represent the interests and protect the rights of Shareholders, ensure the effectiveness of their contributions, promote the Bank's statutory objectives, develop a strategy to increase profitability and competitiveness of the Bank, control the Bank's Management Board. The independence and integrity of the Supervisory Board are necessary prerequisites for fulfilling its role.

As of January 1, 2021, the Supervisory Board of the Bank worked in the following composition:

The Chairman of the Supervisory Board:	K. V. Stetsenko
Members of the Supervisory Board (shareholder representatives):	M. Y. Paseniuk R. I. Kilmukhametov
Independent Members of the Supervisory Board:	M. V. Stetsenko V. V. Gladun O.M. Kurinnyy

By the decision of the shareholder dated March 18, 2021, the powers of the members of the Supervisory Board were terminated and re-elected in the same composition. By the decision of the Supervisory Board of the Bank (Minutes № 8 of March 18, 2021) Stetsenko K.V. was elected the Chairman of the Supervisory Board of the Bank.

The Chairman and members of the Supervisory Board independently reviewed the content of the Bank's internal documents regarding their rights and obligations.

The Chairman and members of the Supervisory Board have an impeccable business reputation, are not members of the Management Board of the Bank and / or members or members of the governing bodies of a legal entity that competes with the activities of the Bank. In addition, when electing members of the Supervisory Board, candidates are carefully analyzed for the absence of conflicts of interest, as well as other factors that, according to current legislation of Ukraine, would prevent them from holding positions on the Supervisory Board.

In order to ensure the independence of the Supervisory Board, independent members of the Supervisory Board are elected, which is confirmed by the absence of any significant business, family or other ties with the Bank, members of the Management Board or major Shareholder of the Bank.

The Chairman and Members of the Supervisory Board have university degree and significant experience in the financial sector, make informed decisions, which testifies to their competence and efficiency and is confirmed by the results of the Bank's activities during the reporting year.

The organizational form of the Supervisory Board's work is the meetings at which it made decisions in 2021, in accordance with the competence defined by the Bank's Charter and the Regulations on the Supervisory Board.

During 2021, 34 meetings of the Supervisory Board were held, including joint meetings with the Management Board. All meetings of the Supervisory Board that took place are valid.

The Supervisory Board consists of the Chairman and other members of the Supervisory Board (hereinafter together - members of the Supervisory Board). According to the Bank's Charter, the number of members of the Supervisory Board must be 6 (six). Members of the Supervisory Board may not be members of the Management Board of the Bank, as well as hold other positions in the Bank under an employment agreement (contract) or provide services to the Bank in accordance with a civil law agreement. The Supervisory Board must consist of at least one third of the independent members of the Supervisory Board, who must have at least three members. An independent member of the Supervisory Board is a member of the Supervisory Board who is not influenced by others in the decision-making process while performing the duties of an independent member of the Supervisory Board. Requirements for persons who cannot be considered independent members of the Supervisory Board are established by the legislation of Ukraine. At least half of the members of the Supervisory Board must have experience in the banking and / or financial sector. Members of the Supervisory Board must have higher education, meet the requirements of current legislation of Ukraine, as well as qualification requirements for professional suitability and business reputation. The National Bank of Ukraine determines the compliance of professional suitability and business reputation in the manner prescribed by current legislation of Ukraine. Members of the Supervisory Board must meet the qualification requirements throughout their tenure, and independent members of the Supervisory Board must also meet the requirements for their independence.

The members of the Supervisory Board are elected and appointed by the General Meeting of Shareholders of the Bank.

Only an individual can be a member of the Supervisory Board. Members of the Supervisory Board may be independent members of the Supervisory Board, shareholders of the Bank and representatives of the Bank's shareholders. A member of the Supervisory Board may be an individual who has full civil capacity. Election of members of the Supervisory Board is carried out exclusively by cumulative voting, in the manner prescribed by the current legislation of Ukraine, except in cases where the shareholder of the Bank is one person. Nominations of members of the Supervisory Board are submitted to the General Meeting by the Bank's shareholders. When electing members of the Supervisory Board, together with information about each candidate (surname, name, patronymic (name) of the shareholder, the size of the block of shares belonging to him) to the members of the Supervisory Board, the ballot paper shall indicate whether such a candidate is a shareholder, a representative of a shareholder or a group of shareholders (indicating information about that shareholder or shareholders) or whether he is an independent member. A member of the Supervisory Board elected as a representative of a shareholder or group of shareholders may be replaced by such shareholder or group of shareholders at any time. Members of the Supervisory Board are elected by the shareholders during the General Meeting for a term not exceeding three years.

If the number of members of the Supervisory Board whose powers are valid is less than half of its number elected in accordance with the law by the General Meeting, the Bank shall convene an extraordinary General Meeting within three months to elect the remaining members of the Supervisory Board, voting - to elect the entire Supervisory Board of the Bank.

Persons elected as members of the Supervisory Board may be re-elected an unlimited number of times. The powers of a member of the Supervisory Board elected by cumulative voting may be terminated early by a decision of the General Meeting only if the powers of the entire Supervisory Board are terminated simultaneously. In this case, the decision to terminate the powers of the members of the Supervisory Board is made by the General Meeting by a simple majority of votes of shareholders who have registered to participate in the meeting and are the owners of voting shares.

The Chairman and members of the Supervisory Board of the Bank shall take office after their approval by the National Bank of Ukraine, unless otherwise provided by the current legislation of Ukraine.

A member of the Supervisory Board may not be a member of the Management Board of the Bank at the same time, as well as hold other positions in the Bank under the terms of an employment contract. A member of the Supervisory Board may not be the head, official and / or member of the board of a bank or other governing body of another bank registered in Ukraine, except as provided by the legislation of Ukraine.

A member of the Supervisory Board must perform his / her duties personally and may not delegate his / her powers to another person. Members of the Supervisory Board may be remunerated for their activities. The procedure for payment of remuneration to members of the Supervisory Board is established in accordance with the legislation of Ukraine.

Chairman of the Board

The Chairman of the Supervisory Board is elected by the members of the Supervisory Board from among them by a simple majority of votes from the number of members of the Supervisory Board. The Supervisory Board has the right to re-elect the Chairman of the Supervisory Board at any time. A member of the Supervisory Board who was the Chairman

of the Management Board during the previous year may not be elected Chairman of the Supervisory Board.

Chairman of the Board:

- organizes the work of the Supervisory Board, convenes its meetings and chairs them;
- approves the agenda of the Supervisory Board meetings;
- organizes keeping minutes of meetings of the Supervisory Board;
- organizes work on creation of committees of the Supervisory Board, nomination of members of the Supervisory Board to the composition of these committees, as well as coordinates the activities, relations of the committees among themselves and with other bodies and officials of the Bank;
- prepares a report and reports to the General Meeting on the activities of the Supervisory Board, the general condition of the Bank and the measures taken by it to achieve the objectives of the Bank;
- maintains constant contacts with other bodies and officials of the Bank;

  - exercises other powers provided by the current legislation and the Charter of the Bank and necessary to ensure the work of the Supervisory Board, exercises other powers provided by the Articles of Association, the Regulations on the Supervisory Board, current legislation and necessary to ensure the work of the Supervisory Board.

If it is impossible for the Chairman of the Supervisory Board to perform his / her powers, one of the members of the Supervisory Board shall exercise his / her powers upon its decision.

Members of the Supervisory Board have the right to:

1) participate in the meetings of the Management Board of the Bank;

2) receive complete, reliable and timely information about the Bank, necessary for the performance of its functions;

3) get acquainted with the Bank's documents, receive their copies, as well as copies of the documents of the Bank's subsidiaries. The above information and documents shall be provided to the members of the Supervisory Board within 5 (five) days from the date of receipt by the Bank of the relevant request addressed to the Chairman of the Management Board of the Bank;

4) require, if necessary, the convening of extraordinary meetings of the Supervisory Board of the Bank;

5) provide written comments on the decision of the Supervisory Board of the Bank.

Responsibilities of the members of the Supervisory Board:

1) to act in the interests of the Bank in good faith and reasonably and do not exceed its authority; The obligation to act in good faith and prudence means the need to show the integrity, prudence and due diligence that a person would hold in such a position in such circumstances.

2) to be guided in its activities by the current legislation of Ukraine, the Bank's Charter, these Regulations, and other internal documents of the Bank;

3) comply with the decisions adopted by the General Meeting and the Supervisory Board of the Bank;

4) to participate personally in the meetings of the Supervisory Board and in the work of the committees of the Supervisory Board. Inform in advance about the impossibility to participate in the meetings of the Supervisory Board, indicating the reason for absence;

5) to adhere to the rules and procedures established by the Bank for concluding transactions in which there is an interest (conflict of interest);

6) to comply with all rules established by the Bank related to the regime of circulation, security and storage of information with limited access. Do not disclose confidential and insider information, as well as information that constitutes a bank secret, which became known in connection with the performance of the functions of a member of the Supervisory Board, persons who do not have access to such information, and use it in their interests or interests third parties;

7) to notify the Supervisory Board and the Management Board of the Bank in writing within 3 (three) days of the loss of the Bank's shareholder status;

8) to refrain from actions that may lead to the loss of an independent member of the Supervisory Board of its independence. In case of loss of independence, a member of the Supervisory Board is obliged to notify the Supervisory Board and the Management Board of the Bank in writing within 3 (three) days;

9) timely provide the General Meeting, the Supervisory Board with complete and accurate information on the activities and financial condition of the Bank.

The Chairman and members of the Supervisory Board meet the requirements for professional suitability and business reputation established by the Law of Ukraine "On Banks and Banking" and regulations of the National Bank, the Charter and internal documents of the Bank, and independent members of the Supervisory Board also meet the independence requirements. Of Ukraine "On Joint Stock Companies".

The Chairman and members of the Supervisory Board have sufficient knowledge, skills and experience to effectively perform their functions, they have no conflict of interest (including potential) and signs of lack of impeccable business reputation, as well as enough time to perform their functions, taking into account responsibilities each member of the Supervisory Board of the Bank.

Remuneration to members of the Supervisory Board is paid in accordance with the decisions of the General Meeting of Shareholders of the Bank (decisions of the sole shareholder), and disclosed in the Annual Financial Statements of the Bank for 2021 (Note 35 "Related party transactions"). With the exception of individual members of the Supervisory Board, members of the Supervisory Board are paid a fixed remuneration.

Based on the results of the verification of compliance of the Chairman and members of the Supervisory Board with the requirements established by the legislation of Ukraine, carried out by the Bank in December 2021,

1) The Chairman and members of the Supervisory Board of the Bank have university degree and significant experience in the financial sector, make informed decisions, which indicates their competence and efficiency, which is confirmed by the results of the Bank's activities during the reporting year.
2) The Chairman and members of the Supervisory Board of the Bank meet the requirements of current legislation of Ukraine, as well as qualification requirements for professional suitability and business reputation throughout their tenure, and independent members of the Supervisory Board also meet the requirements for their independence.

3) The Chairman and members of the Supervisory Board are not members of the Management Board of the Bank.
4) The Chairman and members of the Management Board are not members of the Supervisory Board of the Bank.
5) The Chairman and members of the Supervisory Board of the Bank have an impeccable business reputation, are not members or members of the governing bodies of a legal entity that competes with the activities of the Bank.
6) The facts of violation of internal documents by the Chairman and members of the Supervisory Board of the Bank, which led to damage to the Bank or the Bank's clients, have not been revealed.
7) The facts of application of measures of influence by public authorities to the Chairman and members of the Supervisory Board of the Bank have not been revealed.
8) The facts of the existence, including potential, of a conflict of interest, which would not have been declared and / or for which appropriate measures would not have been taken, have not been revealed.

7.7. MANAGEMENT BOARD OF THE BANK.

The Management Board is a permanent collegial executive body of the Bank, which manages the current activities of the Bank, resolves issues within the competence defined by the Bank's Charter, Regulations on the Management Board and current legislation of Ukraine and is responsible for the Bank's efficiency in accordance with current legislation and the Charter.

The competence of the Management Board includes resolving all issues related to the management of the current activities of the Bank, except for issues that fall within the exclusive competence of the General Meeting and the Supervisory Board of the Bank. The General Meeting and the Supervisory Board may decide to transfer part of their powers to the competence of the Management Board, except for the powers referred to by the current legislation of Ukraine and the Bank's Charter to the exclusive competence of each of these Bank management bodies.

As of January 1, 2021, the Management Board of the Bank consisted of the following members:

The Chairman of the Management Board:	Korchynska S. A.
The Deputy Chairman of the Management Board:	Dvorzhanska I. Y.
The members of the Management Board:	Burovsky A. S. Kokodynskyi V. O.

The organizational form of the Management Board's work is meetings at which it made decisions in 2021, in accordance with the competence defined by the Bank's Charter and the Regulations on the Management Board.

During 2021, 49 meetings of the Management Board were held, including joint meetings with the Supervisory Board of the Bank. All meetings of the Management Board that have taken place are valid.

The Management Board consists of: the Chairman of the Management Board, the Deputy Chairman(s) of the Management Board and the members of the Management Board. The Board is headed by the Chairman of the Board. According to the Bank's charter, the number of members of the Management Board must be at least 5 (five). The decision on the number of members of the Management Board is made by the Supervisory Board of the Bank.

The Chairman of the Management Board, Deputy Chairman of the Management Board, and other members of the Management Board may be any natural person who has full legal capacity, is not a member of the Supervisory Board, is an employee of the Bank and meets other requirements of current legislation of Ukraine. Members of the Management Board must have a complete higher education in economics, management or law; experience in the banking system in the relevant specialty for at least three years; impeccable business reputation.

The Chairman of the Management Board, the Deputy Chairman of the Management Board and other members of the Management Board are elected to office and may be dismissed or suspended from office by decision of the Supervisory Board. The decision to elect the Chairman of the Management Board, the Deputy Chairman of the Management Board and other members of the Management Board shall be made by the Supervisory Board in accordance with the procedure established by the Articles of Association and internal documents of the Bank.

The Chairman of the Management Board takes office after approval by the National Bank of Ukraine. The National Bank of Ukraine determines the compliance of the professional suitability and business reputation of other members of the Management Board or persons who perform their duties for more than one month.

The Board is elected for an indefinite term, unless otherwise determined by the decision on appointment, the Statute or the legislation of Ukraine.

Termination of powers of members of the Management Board. The powers of the Chairman of the Management Board, the Deputy Chairman of the Management Board and other members of the Management Board shall be terminated by a decision of the Supervisory Board. The grounds for termination of powers of the Chairman of the Management Board, the Deputy Chairman of the Management Board and other members of the Management Board shall be established by the current legislation of Ukraine.

The Chairman of the Management Board is elected by the Supervisory Board. The powers, rights and responsibilities of the Management Board are determined by the current legislation of Ukraine, the Charter and the Regulations on the Management Board.

The Chairman of the Management Board manages the work and organizes the work of the Management Board, convenes meetings, ensures the keeping of minutes of meetings.

The Chairman of the Management Board has the right, in particular, but not exclusively:

- To act on behalf of the Bank without a power of attorney, including: to represent the interests of the Bank in state institutions, enterprises of all forms of ownership and public organizations, in all law enforcement and regulatory agencies; perform transactions on behalf of the Bank and perform all legally significant actions; enter into and sign agreements, contracts;

- To represent the Bank without a power of attorney, including in relations with other business entities and individuals both in Ukraine and abroad;
- To issue a power of attorney on behalf of the Bank; distribute responsibilities among the members of the Management Board of the Bank;
- To issue orders and issue orders that are binding on all employees of the Bank; to hire and dismiss employees of the Bank, take measures to encourage them and impose disciplinary sanctions in accordance with current legislation of Ukraine, the Charter and internal documents of the Bank;
- To establish forms, systems and procedures for remuneration of the Bank's employees in accordance with the current legislation of Ukraine, approve the staffing of the Bank and staffing of separate divisions, determine the amount of salaries of all employees of the Bank;
- To sign a collective agreement on behalf of the Bank; approve job descriptions of the Bank's employees;
- To take measures for pre-trial settlement of disputes, sign lawsuits, complaints and all documents related to court hearings of claims and complaints, represent the Bank in the courts with all rights granted by law to the plaintiff, defendant, third party, including fully or partially waive claims, recognize the claim, change the subject of the claim, enter into an amicable agreement, appeal the court decision, submit an executive document for recovery or issue a power of attorney to take appropriate action to another person;
- To participate in the meetings of the Supervisory Board with the right of advisory vote;
- To perform other functions necessary to ensure the current activities of the Bank.

The Chairman of the Management Board is personally responsible for the activities of the Bank. The Chairman of the Management Board may not head the structural divisions of the Bank.

In case of temporary absence of the Chairman of the Management Board, the acting Chairman of the Management Board may be assigned to the Deputy Chairman of the Management Board on the basis of an order of the Chairman of the Management Board. A person temporarily entrusted with the duties of the Chairman of the Management Board for the period of his absence has all the powers of the Chairman of the Management Board of the Bank provided by the legislation of Ukraine, the Charter and Regulations of the Management Board, including acting without a power of attorney on behalf of the Bank's enterprises and organizations.

In the event that the Chairman of the Management Board is not appointed, the Acting Chairman of the Management Board shall be appointed by the Supervisory Board.

Members of the Management Board have the right:

1) to receive complete, reliable and timely information about the Bank, necessary for the performance of their functions;

2) independently and as part of the Management Board to resolve issues of operational management of the Bank, which are related to their powers and functional responsibilities;

3) to make proposals, participate in the discussion and vote on the agenda of the Board meetings;

4) to initiate the convening of meetings of the Board;

5) to provide written comments on the decision of the Board;

6) to demand the convening of extraordinary meetings of the Supervisory Board;

7) to receive a fair remuneration for the performance of the functions of a member of the Management Board, the amount of which is set by the Supervisory Board.

Responsibilities of the members of the Management Board:

1) to act in the interests of the Bank in good faith, reasonably and within the limits of its powers;

2) to be guided in its activities by the current legislation of Ukraine, the Charter, these Regulations, other internal documents of the Bank;

3) implement the decisions adopted by the General Meeting and the Supervisory Board;

4) to participate personally in the meetings of the Management Board (including remotely), as well as be present at the General Meeting at the invitation of the Chairman of the Supervisory Board or the person convening them. In case of impossibility to be present at the General Meeting, to notify in advance the person from whom the invitation was received, indicating the reasons for such impossibility;

5) be present at the meetings of the Supervisory Board at the invitation of the Chairman or a member of the Supervisory Board. In case of impossibility to be present at the meeting of the Supervisory Board, to notify in advance the person from whom the invitation was received, indicating the reasons for such impossibility;

6) be a member of the Bank's credit committees in accordance with the procedures established by the Bank;

7) when concluding transactions with the participation of the Bank, in the commission of which there is an interest or the presence of a conflict of interest, to comply with the legally established rules and requirements for concluding such transactions;

8) comply with the rules established by the Bank related to the regime of circulation, security and storage of information with limited access. Not to disclose bank secrets, confidential and insider information, which became known through the performance of the functions of a member of the Management Board to persons who do not have access to such information, as well as to use it in their own interests or in the interests of others;

9) to prepare timely for the meetings of the Management Board, in particular, get acquainted with the materials prepared for the meeting, collect and analyze additional information, if necessary, receive expert advice, etc.;

10) to manage certain designated areas of the Bank's activity and direct the activities of the Bank's subordinate structural subdivisions in accordance with the division of responsibilities between the members of the Management Board;

11) to provide timely the General Meeting, the Supervisory Board, all members of the Management Board, internal and 5 external auditors of the Bank with complete and accurate information on the activities and financial condition of the Bank.

The functional responsibilities of each member of the Management Board are determined by the relevant job description, agreement (contract) concluded with him, orders and directives of the Chairman of the Management Board.

During 2021, the Bank had such committees of the Management Board

- Credit Committee
- Tariff Committee
- Assets and Liabilities Management Committee
- Committee on Financial Monitoring

Composition of committees as of 31.12.2021

- Credit Committee:
  - Chairman: Kokodynskyi V.O.
  - Deputy Chairman of the Committee: Burovsky A.S.
  - Members: Korchynska S.A., Dvorzhanska I.Y., Krohmal Y.Y.
- Tariff Committee:
  - Chairman: Kokodynskyi V.O.
  - Deputy Chairman of the Committee: Burovsky A.S.
  - Members: Korchynska S.A., Dvorzhanska I.Y., Krohmal Y.Y.
- Assets and Liabilities Management Committee:
  - Chairman: Kokodynskyi V.O.
  - Deputy Chairman of the Committee: Burovsky A.S.
  - Members: Korchynska S.A., Dvorzhanska I.Y., Krohmal Y.Y.
- Financial Monitoring Committee:
  - Chairman: Dvorzhanska I.Y.
  - Members: Starostenko O.V., Velychko V.A., Tyshchenko S.V., Solovyova K.S., Kokodynskyi V.O., Demkiv M.O.

The Chairman and members of the Management Board meet the qualification requirements for professional suitability and business reputation established by the Law of Ukraine "On Banks and Banking" and regulations of the National Bank, the Charter and internal documents of the Bank. The collective suitability of the Bank's Management Board corresponds to the size, peculiarities of the Bank's activity, nature and volumes 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 part.

The Chairman and members of the Management Board have sufficient knowledge, skills and experience to effectively perform their functions, they have no conflict of interest (including potential) and signs of lack of impeccable business reputation, as well as enough time to perform their functions taking into account the responsibilities of each member of the Management Board of the Bank.

The results verify that the Chairman and members of the Board of the legislation of Ukraine the requirements made by the Bank in December 2021

1. The Chairman and members of the Management Board of the Bank have university degree and significant experience in the financial sector, make informed decisions, which indicates their competence and efficiency, which is confirmed by the results of the Bank's activities during the reporting year.
2. The Chairman and members of the Management Board of the Bank shall meet the requirements of the current legislation of Ukraine, as well as the qualification requirements for professional suitability and business reputation during the entire period of holding the relevant positions.
3. The Chairman and members of the Supervisory Board are not members of the Management Board of the Bank.
4. The Chairman and members of the Management Board are not members of the Supervisory Board of the Bank.
5. The Chairman and members of the Management Board of the Bank have an impeccable business reputation, are not members or members of the governing bodies of a legal entity that competes with the activities of the Bank.

6. The facts of violation of internal documents by the Chairman and members of the Management Board of the Bank, which led to damage to the Bank or the Bank's clients, have not been revealed.
7. The facts of application of measures of influence by public authorities to the Chairman and members of the Management Board were not revealed.
8. The facts of the existence, including potential, of a conflict of interest, which would not have been declared and / or for which appropriate measures would not have been taken, have not been revealed.
9. The facts listed in paragraph 85 of the Regulation on Financial Monitoring regarding the responsible employee for financial monitoring have not been identified.

Remuneration to the members of the Management Board is paid in accordance with the decisions of the Supervisory Board of the Bank, which is disclosed in the Annual Financial Statements of the Bank for 2021 (Note 36 "Related party transactions").

There were no facts of violation of internal rules by the members of the Management Board, which resulted in damage to the Bank or the Bank's clients.

7.8. RISK MANAGEMENT SYSTEM OF THE BANK.

The Bank's risk management system is aimed at ensuring the implementation of business goals in accordance with the Bank's development strategy and increasing its value, optimizing the ratio of potential opportunities and risks, capital size and growth rates of the Bank.

The main tools for achieving these goals are the Bank's comprehensive risk management system, which provides for the coordination of actions of all departments within a single strategy for risk management, approved by the Supervisory Board of the Bank. The formation of a comprehensive system is aimed at maximizing the concentration of risk management functions in the Bank, the continuous process of analyzing the situation and environment in which risks arise, and making management decisions to influence the risks themselves and / or the level of vulnerability (exposure) to such risks.

The Bank's risk management system is based on the principles and recommendations of the Basel Committee set by the regulatory authorities.

The division of functions and powers in risk management covers all organizational levels and divisions of the Bank. The principal structure of the Bank's risk management provides for the participation of the Supervisory Board, the Management Board, profile committees, the Risk Management Service and structural subdivisions of the Bank in the risk management process.

General control over the implementation of risk management in the Bank is carried out by the Supervisory Board of the Bank, the implementation of the risk management system is carried out by the Management Board of the Bank.

The Assets and Liabilities Management Committee determines the optimal balance sheet structure, plans financial performance indicators and monitors their performance, considers the cost of funding sources, controls liquidity risk, bank book interest rate risk and market risks.

The Credit Committee manages credit and investment activities and monitors credit risks associated with individual clients and the credit and investment portfolio as a whole.

The Tariff Committee regulates commission revenues and analyzes the competitiveness of current tariffs.

The Financial Monitoring Committee ensures the implementation of the Bank's policy on risk management of money laundering / terrorist financing.

The Risk Management Department and the Head of the Risk Management Department (Chief Risk Manager) carry out a quantitative and qualitative assessment of the risks to which the Bank is exposed or which may arise in the future, monitors the status and amount of risks.

The Bank performs quantitative and qualitative assessment of risks to which the Bank is exposed, or which may arise in the future in its activities, monitors the status and extent of risks, namely:

- credit risk;
- liquidity risk;
- interest rate risk of the banking book;
- market risk;
- operational risk;
- compliance risk;
- other significant risks (reputation, strategic, risk of professional activity in the stock market).

The Internal Audit Department assesses the adequacy of the Bank's risk management systems.

The structural divisions of the Bank carry out operational management of risks associated with their activities, according to the established levels of tolerance to risks and limits, and are responsible for the results of the acceptance of these risks. The revision of the risk management system is improved by the Bank on an ongoing basis and timely updating of the internal regulatory framework is provided in case of changes in legislative, regulatory or regulatory requirements, organizational structure of the Bank and changes in the Bank's risk tolerance.

The Bank has not established an audit commission or there is no auditor.

Significant risk factors that affected the activities of the financial institution during the yea:

- Internal: small amount of capital; short term of activity; low risk-appetite (significantly reduces profitability during the period of systemic reduction of interest rates in the market); insufficiently established mechanisms for attracting new customers, limited opportunities to open direct correspondent accounts; the Bank's brand is used by custom media to discredit the founders.
- External: political and economic instability; imperfection of the country's judicial system; frequent changes in the legislation regulating banking activities; The artificial deterioration of the Bank's business reputation by the media commissioned against the background of an imperfect judicial system may limit the Bank's ability to expand its business relations.

7.9. SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT OF THE ISSUER.

The Bank has built an effective system of internal control (hereinafter - the system of internal control or SIC) and risk management of the issuer, which consists of:

- process integration (introduction of control into processes);
- risk assessment on a regular basis;
- development and implementation of measures, with further evaluation of their effectiveness.

The main principles of the Bank's internal control system are:

- efficiency and effectiveness - is the organization of an ongoing process implemented in the current activities of the Bank and understandable at all levels of the Bank;
- early risk prevention is to ensure effective risk management;
- division of responsibilities, which is to ensure the avoidance of a situation in which one person exercises full control over the function or direction of the Bank (separation of the control function from the Bank's operations);
- comprehensiveness, covering all areas of the Bank's activities;
- timeliness, which is the establishment of the SIC, which provides an opportunity to obtain information about the threat of losses of the Bank before such losses are incurred;
- independence, which consists in the separation of the functions of evaluating the effectiveness of the SIC and the functions of its organization and implementation;
- confidentiality - preventing the disclosure of information to persons who do not have the authority to obtain it.

For effective implementation of the Bank's activities, continuous control is established over:

- compliance with the legislation, regulations and standards of professional activity by the Bank's employees;
- prevention of conflicts of interest;
- ensuring an appropriate level of reliability, which corresponds to the nature and scale of the Bank's operations and minimization of banking risks.

The subjects of the Bank's internal control system are:

- Supervisory Board of the Bank;
- Management Board of the Bank;
- Internal Audit Service;
- Head of Risk Management Service (Chief Risk Manager) and Risk Management Service;
- Head of the Compliance Service (Chief Compliance Manager) and the Compliance Service;
- Chief Accountant and his deputies (if any);
- Heads and employees of the Bank's divisions (Services) who exercise internal control in accordance with the powers defined by the Bank's internal documents (regulations, technological maps, regulations, job descriptions, regulations on structural / separate divisions of the Bank, decisions of collegial bodies and Bank management).

The structure of the Bank's internal control system includes:

- Risk identification and assessment, which includes the identification and analysis of significant risks in order to identify control measures/procedures for risk management.
- Control measures/control procedures - actions necessary to minimize risks (determined by the Bank's internal documents). The Bank's control measures operate

at all organizational levels, in the performance of any functions of the Supervisory Board, the Bank's Management Board, managers and employees of the Services.

- Information / reporting and communication - information on identified risks must be documented and transmitted in a timely manner:
    - To the Supervisory Board and the Management Board of the Bank for making management decisions;
    - To subdivisions/authorized employees of the Bank responsible for risk minimization and control to improve the system of internal control and control procedures, staff training, control procedures, drawing conclusions and proposals to the Bank's management to improve control.
- Monitoring, which will allow to assess the quality and effectiveness of the internal control system.

The Bank implements the functioning of the internal control system by:

- control of the Bank's management (Supervisory Board and the Bank's Management Board) over compliance with the legislation of Ukraine and the Bank's internal procedures (compliance);
- distribution of responsibilities in carrying out the Bank's activities;
- control over the functioning of the risk management system;
- control over information security and information exchange;
- introduction of internal control procedures;
- monitoring the effectiveness of the SIC;
- introduction of internal audit procedures.

The organizational structure of the Bank is structured in such a way as to clearly define the duties, powers, functions and responsibilities in the areas of conducting, evaluating and managing internal control provided for in the regulations on the Bank's governing bodies, divisions and job descriptions.

The Management Board of the Bank ensures the development of regulations on all structural divisions of the Bank and submits them for approval to the Supervisory Board of the Bank.

The Chairman of the Management Board of the Bank ensures the development and approval of job descriptions for all employees of the Bank, while providing a full description of all functions, tasks and responsibilities of employees.

Regulations governing the implementation of processes/operations of the Bank, regulations, banking products, as well as descriptions of all processes of the Bank with technological maps determine the distribution of responsibilities during the implementation of processes/operations of the Bank, including on the implementation of internal control.

The Management Board of the Bank implements internal control procedures in all areas of the Bank's activity, in all processes and at all levels, including thanks to staff training in the basics and rules of building a system of internal control and risk management, including compliance, information security and financial monitoring.

The Bank implements and maintains a process of independent assessment of the adequacy of internal control through the introduction of internal audit procedures.

The Bank has introduced a management information system and a reporting system for internal control and risk management.

Processes of control over the functioning of the internal control system include periodic review of the results of monitoring the effectiveness of the internal control system (at least once a quarter) by the Bank's management - the Board and the Supervisory Board of the

Bank (including but not limited to risk management and exchange of information, in compliance with the legislation of Ukraine and the internal procedures of the Bank/compliance).

The Bank has the following forms of control:

- **Preliminary control -** is carried out before the Bank's operations;
- **Current control** - - is carried out during the Bank's operations and includes control over compliance with legislation, internal documents of the Bank on the implementation of these operations, the correctness of data in the Bank's software, the procedure for deciding on their implementation, control over complete, timely and reliable reflection of operations in accounting and reporting, control over the preservation of the Bank's assets.
- **Further control**, which is carried out after the Bank's operations and consists in checking the validity and correctness of operations, compliance of documents with the established forms and requirements for their execution, compliance of employees with their job descriptions, identification of causes and deficiencies and identification of measures. elimination, control over the implementation of planned performance indicators defined in the Bank's development strategy, its business plans and budget, verification of completeness and reliability of financial, statistical, management, tax and other reporting data generated by the Bank.
- **Internal audit control** - conducting a scheduled audit by the Internal Audit Service to independently assess and control the effectiveness of the internal control system, the implemented system of management and control of banking risks, as well as the quality of process organization, operations by process participants, etc.

The Bank has implemented a three-tier system of internal control:

The first level - heads and employees of the Bank's divisions (control over daily operations), including the Bank's Management Board and its profile committees;

The second level - Risk Management Service and Compliance Service (when creating a system for monitoring the effectiveness of internal control systems and verification within the internal control monitoring system);

The third level - Internal Audit Service (periodic inspections of the Bank's activities and assessment of the effectiveness of internal control systems).

7.10. THE QUALITY MANAGEMENT SYSTEM.

The Bank regularly analyzes the Quality Management System (hereinafter referred to as «QMS») in accordance with the requirements of the Regulations on the Quality Management System of JSC BANK AVANGARD. During the analysis are considered:

- status of actions based on the results of the preliminary QMS analysis;
- changes in external and internal factors for the reporting period related to QMS;
- information on the effectiveness of QMS, taking into account:
  - customer satisfaction, which is assessed monthly by compiling customer ratings on various indicators;
  - the degree of achievement of QMS goals for the reporting period;
  - effectiveness of processes and compliance of banking products, which are based on the conclusions of users on the quality and timeliness of management reporting;

  - discrepancies were identified and corrective actions were applied, which were recorded in the reports on the results of further control of the internal control system, incident database;
  - results of monitoring and measurement of QMS, which are recorded in the reports on the results of further control of the internal control system;
  - results of audits (inspections);
  - effectiveness of external service providers
- adequacy of resources to ensure the functioning and development of QMS;
- assessment of the effectiveness of controls determined by the results of non-financial risk assessment;
- results of monthly credit and liquidity risk assessments;
- results of quarterly stress testing of all types of risks;
- opportunities to improve the quality of the Bank's processes and products.

According to the results of the analysis of the Quality Management System for 2021 it is established:

- organization and functioning of QMS of JSC BANK AVANGARD does not require any significant changes;
- availability of QMS resources is at a sufficient level;
- areas of QMS improvement can be identified:
  - further introduction of automation of transactions and reduction of processing time of client payment orders;
  - spreading the use of electronic document management in banking products;
  - introduction of feedback mechanisms for external and internal clients of the Bank's processes;
  - introduction of additional controls over the processes in which the realized risk was recorded;
  - conducting external training to study the requirements of ISO 19011.

7.11. INTERNAL AUDIT SERVICE.

The Internal Audit Service is an independent structural subdivision of the Bank, is a component of the internal control system and is subordinated to and accountable to the Supervisory Board of the Bank. As of December 31, 2021, the division of the Internal Audit Service has 1 employee - the Head of the Internal Audit Service.

In 2021, the Internal Audit Service carried out the following work:

- Conducting inspections in accordance with the approved Audit Plan for 2021;
- Support of external audit to confirm the annual financial statements in accordance with international standards (AC CROWE UKRAINE, LLC);
- Preparation of quarterly reports to the Management Board and the Supervisory Board;
- Incident database monitoring;
- Other current work.

In 2021, the Internal Audit Service conducted thematic inspections in accordance with the annual plan approved by the Supervisory Board. All scheduled inspections have been performed.

According to the results of audits in 2021, no recommendations were provided.

The Bank's internal regulations governing internal audit procedures meet the requirements of the NBU regulations, in particular, the Resolution of the National Bank of Ukraine № 311 of May 10, 2016 "On approval of the Regulation on the organization of internal audit in banks of Ukraine." Internal audit procedures are carried out in compliance with the requirements of the Bank's internal documents and the requirements of the NBU regulations.

The functioning of the internal audit system is generally assessed as "good".

7.12. EXTERNAL AUDITOR OF THE BANK.

The decision of the Supervisory Board of the Bank (Minutes №24 dated September 29, 2021) selected an external auditor, an audit firm – AC «CROWE UKRAINE» LLC to provide services to confirm the financial statements of the Bank for 2021. Regarding the activities of AC «CROWE UKRAINE» LLC:

- total experience of auditing activities - more than 15 years;
- number of years during which AC «CROWE UKRAINE» LLC provides audit services to the Bank – 2nd year;
- there were no cases of conflict of interest and / or combination of internal auditor functions during the period of cooperation with the Bank.
- there were no penalties applied to AC «CROWE UKRAINE» LLC by the Audit Chamber of Ukraine during the year and the facts of submission of inaccurate reports of the financial institution, confirmed by the audit opinion, revealed by the bodies that carry out state regulation of financial services markets;
- there were no recommendations of the bodies that carry out state regulation of financial services markets regarding the audit opinion.

AC «CROWE UKRAINE» LLC did not provide other audit services to the Bank during the year.

7.13. SIGNIFICANT TRANSACTIONS.

By the decision of the shareholder from 11.01.2021 the Bank is allowed to perform from 01.01.2021 to 31.12.2021 (inclusive) significant transactions each in the amount of up to UAH 350.00 million (inclusive), concerning: conducting purchase / sale transactions and repo of domestic bonds state loan of Ukraine and / or certificates of deposit of the National Bank of Ukraine; conducting operations of purchase / sale of foreign currency; raising funds on the interbank market; raising funds from clients, as well as carrying out credit operations that are fully secured by cash coverage and / or pledge of property rights to deposit in the Bank. When conducting active operations, the Bank is obliged to comply with the debt limit of one counterparty (mandatory economic standard H7, set by the National Bank of Ukraine) both during external settlements and during the term of this operation, except for transactions under agreements that provide for advance payments in favor of the Bank. These restrictions do not apply to operations on the transfer of funds between the Bank's own correspondent accounts (NOSTRO accounts) in correspondent banks, the amount (limits) of balances for which is determined by a separate decision to determine the limit of the balance on the correspondent account.

The Bank is allowed to perform significant transactions with the National Bank of Ukraine in the amount of up to UAH 7 000,00 million (inclusive), concerning: conducting active operations with the National Bank of Ukraine related to credit risk, including, but not limited

to, operations of purchase / sale of certificates of deposit of the National Bank of Ukraine, as well as operations to obtain refinancing loans from the National Bank of Ukraine (including overnight) in accordance with the General Loan Agreement with the National Bank of Ukraine and swap interest rate operations in accordance with Of the General Agreement on interest rate swap operations with the National Bank of Ukraine, concluded in accordance with the decisions of the Shareholder, which remain in force and continue to operate.

7.14. RELATIONS WITH SHAREHOLDERS AND RELATED PARTIES, THE IMPACT OF THESE RELATIONS ON THE PERFORMANCE RESULTS AND THEIR MANAGEMENT.

During 2021, the Bank carried out operations with related parties on general terms. Related party transactions are primarily resource-based.

The Bank did not conduct any credit transactions with the Bank's shareholders and owners of significant interests in the Bank.

The bank raised a loan from a shareholder to carry out banking activities with a final maturity of the total loan amount in 2025.

Information on related party transactions, balances on related party transactions for 2021, income and expenses on related party transactions for 2021, total amount of loans granted to related parties and repaid by related parties parties during 2021, as well as other rights and obligations under related party transactions as at the end of the reporting period for 2021 are set out in the Annual Financial Statements of the Bank for 2021.

7.15. PROTECTION OF THE FINANCIAL SERVICE CONSUMERS' RIGHTS BY THE BANK.

The Bank protects the rights of consumers of the Bank's services in accordance with the current legislation of Ukraine, including the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets" and the Law of Ukraine "On Consumer Lending".

The Client has the opportunity to apply to the Bank with comments, complaints and suggestions related to the Bank's activities, a statement or request to exercise their rights and legitimate interests and a complaint about their violation through the postal operator or submit it in person appeal.

Each message must be checked and answered.

The appeal may be submitted in writing or orally.

The written appeal must meet the requirements of the Law of Ukraine "On Citizens' Appeals" (hereinafter - the Law). The application must state:

- full name;
- place of residence of the applicant;
- the essence of the raised question;
- remarks, suggestions, statements or complaints, requests or demands.

The written application must be signed by the applicant (applicants) indicating the date.

A written request shall be sent by mail or transmitted to the Bank in person or through an authorized person whose powers are executed in accordance with the law.

Address for written appeals: 04116, Kyiv, Ukraine, st. Sholudenka 3, office 202

The client can send an application by e-mail to the address: info@avgd.ua or hotline@avgd.ua.

The electronic application, in addition to other requirements established by the Law, must also indicate the e-mail address to which the applicant may be sent a response, or information about other means of communication. The use of an electronic digital signature when sending an electronic application is not required. An application filed without complying with the requirements of the Law shall be returned to the applicant with the relevant explanations no later than ten days from the date of its receipt.

The form of the written request, which is sent by mail / is sent in electronic form, is posted on the official website of the Bank, as well as in a place accessible to the Bank's premises.

An appeal made without complying with the requirements specified in the paragraphs set forth above is returned to the applicant with the relevant explanations no later than ten days from the date of its receipt.

The appeal shall be accompanied by the applicant's decisions or copies of the decisions made on his / her appeal before, as well as other documents necessary for consideration of the appeal, which shall be returned to the applicant after its consideration.

The oral appeal is presented at a personal reception or by telephone through certain contacts of the Bank and is recorded (registered) by an authorized official of the Bank.

When making an oral appeal for further effective and timely consideration, the applicant must provide the following information:

- Full name;
- Contact details: registration / residence address of the applicant, postal address for correspondence, e-mail address, telephone number, etc.
- Oral description of the problem situation that caused the appeal.

The Client may apply orally (by phone) using any of the following contacts posted on the official website of the Bank (www.avgd.ua) or by phone: +380 (44) 222 01 01, mode of operation: Mon-Fri, 9.00 - 18.00.

An appeal against the appealed decision may be filed with the Bank within one year from the date of its adoption, but not later than one month from the date of acquaintance of the person with the decision. Complaints filed in violation of this deadline will not be considered. The term missed for a good reason may be renewed by the Bank.

The Bank is obliged to objectively and timely consider applications (petitions) submitted to the Bank, verify the facts set forth in them, make decisions in accordance with applicable law and ensure their implementation, notify the applicant of the consequences of consideration of applications (petitions).

An application received by the Bank that meets the requirements of the Law shall be considered by the responsible divisions of the Bank within a period not exceeding one month from the date of its receipt. The answer is sent to the client's mailing address, or another channel specified by the client (by phone, e-mail). If it is impossible to resolve the issues raised in the application within one month, the authorized person of the Bank shall set the necessary deadline for its consideration, which shall be notified to the person who submitted the application. In this case, the total term for resolving the issues raised in the appeal may not exceed forty-five days.

Complaints (notifications) are considered by the Compliance Manager of the Bank - Padalka Antonina Oleksandrivna.

According to the Instruction on the organization of consideration of citizens' appeals, personal reception and access to public information in the National Bank of Ukraine,

approved by the NBU Decision of May 14, 2020 №332-рш the client has the right to appeal to the National Bank to resolve issues raised in the appeal including cases where the bank did not provide a response to the appeal within the period prescribed by the legislation of Ukraine for consideration of appeals or the received response did not satisfy the client.

Link to the section "Appeals of citizens" of the official Internet representation of the National Bank: https://bank.gov.ua/ua/contacts-details#section-2

You can get acquainted in detail with the procedure for applying to the National Bank of Ukraine at the link: https://bank.gov.ua/ua/consumer-protection/cp-more

Filing an appeal to the Bank or the National Bank does not deprive the client of the right to go to court in accordance with the legislation of Ukraine to protect their rights and interests.

Officials of the Bank shall be liable for refusal to accept and consider the appeal, violation of the term of consideration of the appeal, other violations of the client's right to appeal in accordance with the legislation of Ukraine.

During 2021, the Bank did not receive any complaints regarding the provision of financial services.

During 2021, there were no lawsuits against the Bank for the provision of financial services.

8. CONCLUSION.

During the reporting year 2021, the Bank operated in accordance with the requirements of the Bank's Corporate Governance Code, current legislation of Ukraine, internal documents of the Bank, conducted profitable activities, followed the strategy set by the Bank's shareholders and achieved targets and goals for 2021.

Chairman of the Management Board **S. Korchynska**



AVANGARD BANK

JOINT STOCK COMPANY «BANK AVANGARD»

FINANCIAL STATEMENTS

for the year 2021

Statement of Financial Position
as at 31 December 2021

(in UAH thousand)

	Note	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	6	168 623	217 601
Loans and due from banks	7	108 137	4 241
Loans and due from customers	8	69 977	54 486
Investments in securities	9	1 962 017	1 655 681
Derivative finance assets	10	210	25
Current income tax receivables		2 856	4 995
Deferred tax assets	28	-	-
Fixed and intangible assets	11	2 440	1 892
Right-of-use assets	11	78	84
Other financial assets	12	1 533	535
Other assets	13	7 800	1 910
Total assets		**2 323 671**	**1 941 450**
Liabilities			
Due to banks	14	1 189 996	859 998
Due to customers	15	820 386	789 622
Debt securities issued by the bank	16	26 226	-
Other raised funds	17	31 001	34 750
Derivative finance liabilities	18	3 887	2 153
Current income tax liabilities		-	-
Deferred tax liabilities	28	399	524
Other financial liabilities	20	1	1
Other liabilities	21	11 940	10 095
Provisions for liabilities	19	87	69
Total liabilities		**2 083 923**	**1 697 212**
Equity			
Share capital	22	200 080	200 080
Retained earnings (uncovered loss)		29 916	33 638
Reserves and other funds		11 125	10 612
Revaluation reserves	23	(1 373)	(92)
Total equity		**239 748**	**244 238**
Total liabilities		**2 323 671**	**1 941 450**

Authorized for issue and signed by:

Chairperson of the Board /S. Korchynska /

Chief Accountant /N. Derkachenko/

Statement of profit or loss and other comprehensive income for 2021

(in UAH thousand)

	Note	2021	2020
Interest income	25	188 354	143 548
Interest expenses	25	(113 822)	(64 812)
Net interest income/(Net interest expense)		**74 532**	**78 736**
Fee and commission income	26	13 801	12 989
Fee and commission expenses	26	(1 708)	(1 617)
Net profit / (loss) from transactions with financial instruments, that are recognized at fair value through profit or loss		(3 253)	(8 717)
Net profit / (loss) from transactions with debt financial instruments that are carried at fair value through other comprehensive income		2 908	1 264
Net profit / (loss) from foreign currency transactions		13 164	7 444
Net profit / (loss) from foreign currency revaluation		(920)	14 485
Net profit / (loss) from impairment of financial assets		(38 246)	(7 524)
Net loss / (profit) from increase / (decrease) in provisions for liabilities	19	(17)	5
Other operating income		4	181
Salaries and wages	27	(32 756)	(29 564)
Depreciation and amortization	27	(1 834)	(1 776)
Other administrative and operating expenses	27	(12 925)	(53 394)
Profit/(Loss) before tax		**12 750**	**12 512**
Income tax expenses	28	(2 295)	(2 252)
Net profit for the year		**10 455**	**10 260**
OTHER COMPREHENSIVE INCOME:			
net change in fair value		(1 562)	1 042
net change in fair value to be reclassified in profit or loss			-
Income tax related to other comprehensive income	28	281	(188)
Other comprehensive income after tax		(1 281)	854
Total comprehensive income for the year		**9 174**	**11 114**
Net profit/(loss) per an ordinary share	29	**85,70**	**84,10**

Authorized for issue and signed by:

Chairperson of the Board _____ **/S. Korchynska /**

Chief Accountant _____ **/N. Derkachenko/**

Statement of cash flows for 2021 (direct method)

(in UAH thousand)

	2021	2020
Cash flows from operating activities		
Interest received	205 491	118 336
Interest paid	(111 697)	(65 391)
Commissions received	12 747	12 870
Commissions paid	(1 669)	(1 560)
The result of transactions with financial derivatives	1 305	(5 380)
The result of foreign exchange transactions	13 164	7 444
Other operating income	5	19
Staff costs paid	(31 354)	(27 071)
Administrative and other operating expenses paid	(18 406)	(53 711)
Income tax paid	-	-
Cash received / paid from operating activities before changes in operating assets and liabilities	**69 586**	**(14 444)**
Changes in operating assets and liabilities		
Net (increase)/decrease in loans and due from banks	(129 851)	35 819
Net (increase)/decrease in loans and due from customers	(17 369)	44 316
Net (increase)/decrease in other financial assets	215	(844)
Net (increase)/decrease in other assets	-	10
Net increase/(decrease) in due to banks	330 000	572 534
Net increase/(decrease) in due to customers	31 002	375 627
Net increase/(decrease) in debt securities issued by the bank	26 000	-
Net increase /(decrease) in other financial liabilities	(2 034)	19 235
Net cash flows from/(used in) operating activities	**307 549**	**1 032 253**
Purchase of securities at FVTOCI	(17 680 778)	(11 593 545)
Proceeds on disposal of securities at FVTOCI	17 420 807	10 531 226
Purchase of securities at amortized cost	(43 212 250)	(24 822 000)
Proceeds on redemption of securities at amortized cost	43 152 000	25 070 000
Acquisition of fixed assets	(471)	(89)
Acquisition of intangible assets	(971)	(14)
Net cash flows from/(used in) investing activities	**(321 663)**	**(814 422)**
Other payments to shareholders, except dividends		(100 040)
Dividends paid	(13 665)	-
Receiving other funds raised		34 740
Return of other funds raised	(3 817)	
Net cash received / (used) from financing activities	**(17 482)**	**(65 300)**

Effect of changes in official foreign exchange rate of the National Bank of Ukraine on cash and cash equivalents	(12 248)	10 090
Net increase /(decrease) in cash and cash equivalent	(43 844)	162 621
Cash and cash equivalents, at the beginning of the year	250 828	88 207
Cash and cash equivalents, at the end of the year	206 984	250 828

Authorized for issue and signed by:

Chairperson of the Board _____ /S. Korchynska /

Chief Accountant _____ /N. Derkachenko/

Statement of Changed in Equity for 2021

(in UAH thousand)

	Share capital	Reserve fund	Revaluation reserve	Retained earnings	Total
Balance as at 31 December 2029	**300 120**	**10 100**	**(946)**	**23 889**	**333 164**
Decrease in Share capital	(100 040)	-	-	-	(100 040)
Distribution of previous year's profit	-	511	-	(511)	-
Total comprehensive income	-	-	854	10 260	11 114
Balance as at 31 December 2020	**200 080**	**10 612**	**(92)**	**33 638**	**244 238**
Distribution of previous year's profit	-	513	-	(513)	-
Dividend payment	-	-	-	(13 665)	(13 665)
Total comprehensive income	-	-	(1 281)	10 455	9 174
Balance as at 31 December 2021	**200 080**	**11 125**	**(1 373)**	**29 916**	**239 748**

Authorized for issue and signed by:

Chairperson of the Board _____ /S. Korchynska /

Chief Accountant _____ /N. Derkachenko/

Note 1. General information about the bank's activities

The financial statements have been prepared in accordance with International Financial Reporting Standards based on operating results of JOINT-STOCK COMPANY "BANK AVANGARD". The reporting year is 2021.

JOINT-STOCK COMPANY "BANK AVANGARD" (hereinafter "the Bank") was registered in the State Register of Banks of Ukraine on 5 July 2013 under the registration No.346. The Bank is a resident of Ukraine, it is located at: 04116, Kyiv, 3 Sholudenko Street.

The Bank is a member of the Individual Deposit Guarantee Fund, a self-regulatory organization of professional participants of the securities market: the Association "Ukrainian Stock Traders", UkrSWIFT.

The Bank has correspondent banking relationships with the largest banks of Ukraine and settles accounts through leading international banks in all major currencies of the world by means of S.W.I.F.T. international payments. Since December 2013, the Bank has been cooperating with LLC "UKRAINIAN CREDIT HISTORY BUREAU" regarding data transfer on borrowers' credit histories.

In 2014 WESTAL HOLDINGS LTD. (location: Evagora Papachristoforou, 18, PETOUSSIS BUILDING, office 101B, 3030, Limassol, Republic of Cyprus) became the Shareholder of the Bank with a substantial holding in it. As at 1 January 2022, WESTAL HOLDINGS LTD. Directly holds 100,00% of the Bank's share capital.

The following legal entities and individuals are indirect substantial share interest owners of the Bank:

- ICU HOLDINGS LIMITED (location: Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands), which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD; and
- NAREMIUS HOLDINGS LTD {location: Tortola Pier Park, building 1, 2nd floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands) indirectly owing 50% of shares in the Bank through t 50% participation in the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTd; and
- FILTESA HOLDINGS LTD (location: Tortola Pier Park, building 1, 2nd floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands) indirectly owing 50% of shares in the Bank through 50% participation in the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD

A group of individuals wedded by common economic interests, namely:

- individual Kostyantyn Stetsenko indirectly owing 50% of shares in the Bank through 100% stockholding of NAREMIUS HOLDINGS LTD, through a legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD; and
- -individual Makar Paseniuk indirectly owing 50% of shares in the Bank through 100% stockholding of FILTESA HOLDINGS LTD, through a legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD.

The Management of the Bank isn't a shareholder of the Bank.

Note 1. General information on the bank's activities (continued)

Independent rating agency "Credit-Rating" on March 22, 2022 confirmed the credit rating of JSC "BANK AVANGARD" at the level of uaAAA, the forecast is "negative". The rating report can be found at the link:: https://avgd.ua/wp-content/uploads/CR_Avangard_ua_220322.pdf

he Bank operates as a multipurpose bank, whose activities are aimed at a comprehensive customer servicing and providing of high-quality services by offering a wide range of banking services and products, focusing its core business on the exchange, monetary and stock markets, conducting operations both by own resources and at the customers' expense. The bank is among top 5 largest government securities traders.

In 2021, the Bank confirmed the compliance of its procedures with the requirements of international standards for the quality management system ISO 9001 and the information security management system ISO 27001.

The Bank plans to comply with these international standards. The Bank implements a business continuity management system in accordance with the international standard ISO 22301.

The bank has no branches and separate structural divisions. The services are rendered to customers at the Head Office.

As of the end of the reporting period, the Bank's customer base is formed by legal entities-entities (155 clients), non-bank financial institutions (40 clients), individual clients (159 clients) and individual entrepreneurs (7 clients). The bank serves 875 accounts and 361 clients.

Bank strategy

The Bank was established according to a special concept focused on the use of a solid grounding, in its business segment with maximum operating efficiency by means of price-related competition and high-tech solutions. At this stage the main directions of the Bank's activities are securities trading, active participation in the interbank loans market, "Forex" market transactions. The Bank aims to acquire the status of government bonds primary dealer from the Ministry of Finance of Ukraine.

The strategic development plan of JSC "BANK AVANGARD" has been revised and adjusted in the light c changes in the Ukrainian economy and the business environment in the banking market. The Bank plans to expand the range of clients interested in treasury bank services, to enhance cooperation with Ukrainian counterparties regarding settlement and blank limits.

In 2022, due to changes in the market situation, the Bank plans to hold the government bonds portfolio in the amount of 1 000 million UAH. The Bank plans to raise funds from the National Bank of Ukraine, other banks and counterparties under the best market conditions to invest in IGLBs. The remaining assets will consist of due from other bank and short-term loans granted to reliable borrowers At the same time, 85% of the Bank's assets are placed for up to 30 days, and at least 85% of the assets are highly liquid, as they consist c interbank loons, domestic government bonds and cash on correspondent accounts with the most reliable Ukrainian and foreign banks.

At least 90% of the due to customers are legal entities- funds. Such assets structure will be maintained until other decisions made regarding th" introduction of new products in the coming years.

To attract customers and promote the Bank's services, it is planned to improve all sales channels, including mechanisms to attract new customers to the Bank, introduce mobile banking and optimize operational procedures that must meet the requirements of time for speed and ease of transactions and reliability of payments.

Note 1. General information on the bank's activities (continued)

In the coming years, the Bank plans to expand the range of clients interested in the services of the treasury bank, to intensify cooperation with counterparties in Ukraine to establish settlement and blank limits for the Bank.

Types of banking activities

The Bank performs banking operations in the money and foreign exchange markets in accordance with the Banking License No. 269 dated 5 July 2013.

As at the reporting date, the Bank has the License of the State Commission for Securities and Stoc1' Market for conducting professional activities in the securities market as a dealer.

The Bank's activities are based on the principles of reliability, transparency, well-balanced financial performance, compliance with requirements and best practices of banking activities in the following areas:

Treasury operations: operations in the monetary market, transactions in the foreign exchange market, securities transactions, relationships with professional financial market participants - banks, insurance companies, financial intermediaries of capital markets. Deposit attracting transactions from the Bank's customers are considered as transactions in the monetary market, since they represent the main source of the Bank's funding. In order to provide such funding the following measures have been organized: customer servicing, document management associated with all types of transactions and operations, payment and message processing in the "Client-Bank" system, opening and maintaining of current accounts of customers and correspondent banks, including transfer of funds using payment instruments and crediting of funds to accounts; management of customers' (both resident and non-resident) accounts in foreign currencies and non-resident customers' accounts in the currency of Ukraine; management of correspondent accounts of banks (resident) in foreign currencies; opening of correspondent accounts in the authorized banks of Ukraine in foreign currencies and transactions with them.

In 2021, the National Bank of Ukraine has applied to the Bank no restrictions to limit activities performed by the Bank according to permits and licenses granted; there has been also no restrictions regarding the ownership of assets.

No decisions were made during the reporting year by the Bank's Management on the merger, consolidation, disintegration, separation or transformation of the Bank or on the termination of certain activities of the Bank.

There were no bankruptcy proceedings or arbitrations on the Bank's resolution; no decisions were made on the Bank's termination or bankruptcy by the highest governing body of the Bank or the court.

No borrowings or loans exceeding 25% of the Bank's total assets were received or provided (except for the refinancing operations from the NBU).

Bank performance indicators in 2021

The Bank's assets as of December 31, 2021 amounted to UAH 2 323 671 thousand. (as of the end of the day on December 31, 2020 - UAH 1 941 450 thousand).

The quality of assets of JSC "BANK AVANGARD" is good. Highly liquid assets remain the main component of the Bank's assets. Highly liquid assets are mostly represented by IGLBs and NBU certificates of deposit. Funds on NOSTRO accounts are placed in resident banks.

Note 1. General information on the bank's activities (continued)

The Bank's liabilities as at 31 December 2021 amounted to UAH 2 083 923 thousand. (2020: UAH 1 697 212 thousand). The resource base is formed by loans received from the NBU through refinancing, customer funds, including short-term funds of legal entities and individuals. The portfolio of client funds as of December 31, 2021 amounted to UAH 820 386 thousand. (2020: UAH 789 622 thousand)

During the second quarter of 2021, JSC «BANK AVANGARD» issued and placed Series A bonds in the amount of 100 000 (one hundred thousand) bonds, with a nominal value of UAH 1 000.00 per bond, maturing on April 8, 2026 and Series B bonds in the amount of UAH 100 000 (one hundred thousand) bonds, with a nominal value of one bond of UAH 1,000.00, maturing on April 7, 2027.

During the third quarter of 2021, JSC «BANK AVANGARD» repurchased Series A own debt bonds in the amount of 77 500 (seventy-seven thousand five hundred) maturing on April 8, 2026 and Series B bonds in the amount of 97 500 (ninety-seven thousand five hundred) maturing on April 7, 2027.

As of January 1, 2022, the total volume of placed bonds amounted to UAH 25 million.

In order to diversify the resource base, the Bank decided in 2021 to issue discount certificates of deposit. On December 29, 2021, the National Depository of Ukraine registered the first issue of bank certificates of deposit in Ukraine, the issuer of which was JSC «BANK AVANGARD».

As of January 1, 2022, the Bank has placed discount certificates of deposit in the amount of UAH 1 million.

As at 31 December 2021, the Bank's equity amounted to UAH 239 748 thousand.(2020: UAH 244 238 thousand). The main component of equity is the Bank's share capital.

As at 31 December 2021, the Bank's regulatory capital amounted to UAH 238 397 thousand, including tier I capital in the amount of UAH 209 757 thousand and tier II capital in the amount of UAH 29 640 thousand and regulatory adjustments - UAH 1 000 thousand

During the reporting period, the Bank complied with the economic standards of the National Bank of Ukraine, which as at December 31, 2021 had the following meanings:

	Normative value	**As at 31 December 2021**	**As at 31 December 2020**
Regulatory capital ratio (N1)	UAH 200 000 thousand	UAH 238 397 thousand.	UAH 243 480 thousand
Regulatory capital adequacy ratio (N2)	Not less than 10%	37,36%	91,12%
Short-term liquidity ratio (N6)	Not less than 60%	105,47%	79,67%
LCRBB	100%	472,1178%	253,9453%
LCRIB	100%	342,1157%	269,8491%

In order to monitor banks' liquidity, the National Bonk has introduced the following liquidity ratios: short-term liquidity (H6) and liquidity coverage ratio (LCR), for all currencies (LCRBB) and for foreign currency (LCRIB).

Liquidity Coverage Ratio (LCR) is a liquidity ratio that sets the minimum level of liquidity required to cover a net expected cash outflow for 30 calendar days, taking into account the stress-scenario (hereinafter referred to as net expected cash outflow).

The Bank calculates its Liquidity Coverage Ratio (LCR) daily as the ratio of high quality liquid assets to the expected net cash outflow.

According to the results of 2021, the Bank's activity is profitable and the net profit is UAH 10 455 thousand.

Bank Management

The supreme governing body of the Bank is the General Meeting of Shareholders. In the period between the General Meeting of Shareholders, the protection of shareholders' rights, as well as control and regulation of the Management Board is carried out by the Supervisory Board of the Bank within its competence.

The exclusive competence of the Supervisory Board includes the following: approving of the regulations and other internal documents of the Bank, which regulate issues related to the Bank's activities, approval of which is within the jurisdiction of the Supervisory Board; decision-making about holding the General Meeting of the Shareholders, approving the agenda of the Meeting, electing a registration commission and deciding on the date of the Meeting; decision-¬making on repurchasing and placing by the Bank of other securities other than shares; approving of the market value of property in cases stipulated by law; electing and terminating of powers or the Chairperson and members of the Board of Directors, monitoring the activities of the Board decision-making on removal of the Chairperson of the Board from his/her powers and electing a" person temporarily exercising the powers of the Chairperson of the Board; election of the Bank's auditor; creation of the Bank's internal audit service and approval of its regulations, decision on appointment and dismissal of the head of the internal audit service, chief risk manager, chief compliance manager; determination of the external auditor and the terms of the contract with him; establishing the procedure for conducting audits and control over the financial and economic activities of the Bank; making a decision on compensation for losses; resolving issues on the Bank's participation in associations, on the establishment, reorganization and liquidation of other legal entities, branches and representative offices of the Bank, approval of their statutes and regulations; determining the probability of declaring the Bank insolvent as a result of its assumption of obligations or their fulfillment, including due to the payment of dividends or redemption of shares; decision-making on election of the Bank's property appraiser; making a decision on choosing (replacing) a depository institution that provides additional services to the Bank, approving the terms of the agreement concluded with it, establishing the amount of payment for its services; as well as other issues determined by the current legislation or the Bank's charter.

The executive body of the Bank is the Management Board, which manages the current activities of the Bank, the formation of funds necessary for the statutory activities of the Bank, and is responsible for its effectiveness in accordance with the principles and procedures established by the Bank's Charter, decisions of the General Meeting and Supervisory Board. The Management Board of the Bank reports to the General Meeting of Shareholders and the Supervisory Board of the Bank and organizes the implementation of their decisions.

The Management Board decides on the managing of the Bank's structural divisions, monitors the Bank's compliance with the current legislation of Ukraine; organizes deposit operations for the Bank's cash assets and valuables, accounting and reporting transactions, internal controls and other issues regarding the Bank's activities: reviews and approves the internal documents at the Bank within its competence, decides on the establishment, management and liquidation of the Bank's structural divisions other than those which fall within the exclusive competence of the Supervisory Board, and exercises other powers stipulated by the current legislation of Ukraine.

The Bank's organizational structure is based on the main directions, each of them being dependent to one of the members of the Management Board.

The number of employees of the bank at the end of 2021 is 26 people.

Risk management system

The Bank's risk management system is aimed at ensuring the implementation of business goals defined under the Bank's development strategy and enhancing its value, optimizing the potential opportunities and risks ratio, capital stock and growth rates of the Bank.

The main instrument in implementation of these objectives is a comprehensive risk management system established at the Bank that provides action coordination across all the departments within a single strategy regarding risk management, approved by the Supervisory Board of the Bank. The formation of the integrated system is aimed at a maximum concentration of the Bank's risk management functions, ongoing analysis of the situation and environment where risks arise and executive decision-making regarding the influence over these risks and/or the level of the Bank's exposure to them.

The Bank's risk management system is based on the principles defined by the regulatory authorities and recommendations of the Basel Committee.

The distribution of functions and powers in the risk management covers all organizational levels and divisions of the Bank. The basic structure of the Bank's risk management stipulates for the involvement of the Supervisory Board, the Management Board, special-purpose committees, the Bank's risk management services and structural divisions in the risk management process.
The general supervision over the implementation of the Bank's risk management is carried out by the Bank's Supervisory Board; the implementation of the risk management system is carried out by the Management Board.
The Asset and Liability Management Committee determines the optimal balance sheet structure, plans the financial performance indices and monitors their implementation, considers the cost of funding sources, controls the liquidity risk, interest rate and foreign currency risks.
The Credit Committee manages credit and investment activities and monitors the credit risks associated with individual customers and credit-investment portfolio as a whole.
The Tariff Committee regulates commission income, analyzes the current tariff rate competitiveness.

The Financial Monitoring Committee ensures the implementation of the Bank's policy on anti-money laundering risk management.

The Risk Management Division performs a quantitative and qualitative assessment of the risks to which the Bank is exposed or which may subsequently arise in its activities, monitors the status and size of the risks.

The bank provides for quantitative and qualitative assessment of risks faced by the Bank, or those which may arise as a result of future activities, monitors the status and amount of risks, namely:

- Credit risk;
- Liquidity risk;
- Interest rate risk;
- Market risk;
- Foreign currency risk;
- Operational risks;
- Compliance risk;
- Reputation risk;

- Strategic risk.

The Internal Audit Division evaluates the sufficiency of the risk management systems to the Bank's requirements.

The Bank's structural divisions perform the risk operational management associated with the activities according to the established risk tolerance levels and limits, and are responsible for the risk acceptance results. The Bank improves the risk management system on a regular basis and provides timely updating of the interbank statutory framework in case of changes in legal, regulatory or statutory requirements, the Bank's organizational structure and risk tolerance.

Note 2. Economic environment in which the Bank operates

The measures taken during 2020-2021 around the world to combat the spread of COVID-19 lead to the need to limit business activity, which affects the demand for energy and other products of companies, as well as the need for preventive measures to prevent the spread of coronavirus infection.

The financial sector is successfully undergoing the Coronavirus crisis and is properly performing its functions. Banks entered the pandemic period without significant imbalances, sufficiently capitalized and highly liquid. Work to clean up and increase the resilience of the banking system, carried out since 2015, has yielded an undeniable positive result. For the first time in history, Ukrainian banks did not increase economic instability during the crisis. On the contrary, they have supported business so far and will help restore economic growth in the future by providing loans.

As the crisis unfolded, most banks quickly switched to online. To some extent, there has been a structural change in the format of the banking sector. Despite the temporary reduction in the number of operating branches, the availability of banking services has not decreased.

The real sector is also recovering from the coronavirus crisis. Although the dynamics of industries is uneven, the corporate segment as a whole proved to be stable. The quality of banks' corporate portfolios did not deteriorate significantly. Conservative lending standards have contributed to the sustainability of borrowers. Timely restructuring and a small share of loans to vulnerable industries ensured the smooth passage of the crisis. New lending was suspended only for a short period in the second quarter. However, since September, the financial system has fully restored its financial intermediation function and is gradually increasing its loan portfolio. Loans to enterprises began to grow. Small business lending demonstrates the best dynamics. Low rates and moderate creditworthiness of the corporate sector create the basis for further credit growth.

Consumer lending has slowed significantly as the crisis unfolded, with both market demand and supply declining. In this segment, there was a significant increase in arrears during the second quarter, and therefore some banks restructured unsecured consumer loans in significant amounts. The NBU believes that the risks of this segment for banks are high, and therefore confirms the increase in the risk weight of such bank loans to 150% during 2021.

The development of lending will be further facilitated by lower lending rates. From 2020, the banking system operates with single-rate interest rates on deposits. Inflation remained low during the year and monetary policy stimulated. Today, rates on deposits and assets are the lowest in the history of the Ukrainian banking sector. While maintaining macroeconomic stability, lending rates will continue to decline. At the same time, the space for reducing deposit rates is very limited.

Note 2. Economic environment in which the Bank operates

The Ukrainian banking sector remains highly profitable due to the stability of operating profits and the absence of significant credit losses. Net commission income only temporarily declined at the peak of the crisis, but recovered sharply in the following months. Net interest income increased due to the maintenance of a high interest rate spread - during the year, interest rates on assets and liabilities decreased in parallel. At the same time, narrowing the spread in the medium term is inevitable. This is the key risk to the profitability of banks in the coming years. This is a key risk for banks' profitability in the coming years. Reducing the use of foreign currency is also a challenge for banks.

Demand for foreign currency loans has fallen significantly in recent years, and interest rates on foreign currency government securities have fallen. This increases the incentive for banks to more actively de-dollarize their balance sheets.

According to experts from the National Bank of Ukraine, according to the macroeconomic and monetary survey, in December 2021, the uncertainty associated with the spread of Omicron in a number of countries restrained the growth of the world economy. With the partial release of strategic reserves of the United States, China, Japan, it continued to push towards lower oil prices. Instead, natural gas prices in the European market have reached a new all-time high due to significant demand amid Russia's refusal to supply over-contract volumes of gas. An additional factor was the use in the reverse mode of the Yamal-Europe gas pipeline (from Germany to Poland). Only the increase in LNG imports from the US and wind generation adjusted prices at the end of the month. Steel continued to fall in price due to weak demand from China and the anticipatory position of other buyers. Instead, iron ore has risen in price due to the active accumulation of reserves in anticipation of the resumption of steel production in China. Prices for cereals, including wheat and corn, fluctuated at high levels with upward pressure due to active demand, revision of crop estimates in different countries and rising costs due to higher natural gas prices.

In global financial markets, interest in EM assets has declined due to rising global inflation, accelerated strengthening of the FRS's monetary policy (despite the continuation of the ECB's soft policy) and slow recovery of EM economies due to low vaccination rates and lower fiscal support. At the same time, the increase in key interest rates by most central banks in the EM led to a strengthening of the exchange rates of their currencies against the USD.

In November 2021, consumer inflation slowed down (to 10.3% yoy), primarily due to the effects of good harvests and the strengthening of the hryvnia in previous periods. The slowdown in administratively regulated prices also continued due to the validity of annual contracts with a fixed price for gas for the population and constant tariffs for other housing and communal services. At the same time, core inflation rose (to 7.7% yoy) amid rising food prices and services due to high prices for raw materials, energy and rising other production costs, including wages.

Industrial inflation continued to accelerate (to 60.7% yoy) due to a sharp rise in energy prices and in industries with a high share of gas costs (chemical, rubber and plastics). At the same time, lower prices for sugar, sunflower oil, iron ore, and the cessation of rising steel prices restrained the increase in PPI.

Demand and supply of labor weakened slightly during the period of increased quarantine. Nevertheless, wage growth accelerated in November (to 19.2% yoy in nominal terms and to 8% yoy in nominal terms). For example, health care wages have risen sharply, presumably due to surcharges in COVID-19 and the hotel and restaurant business, due to less quarantine than last year, including exemption from restrictions of vaccinated persons, agricultural - due to high yields and financial results.

Note 2. Economic environment in which the Bank operates

In November, the state budget was executed with a moderate deficit (UAH 11.5 billion) despite a sharp acceleration in expenditure growth (to 37.2% yoy from 1.9% yoy in October). Expenditures increased primarily due to higher spending on road infrastructure, health care (given the prevalence of Covid-19) and social protection. At the same time, revenue growth also accelerated (to 36% yoy).

In particular, tax revenues increased due to high financial results of enterprises, wage growth and increasing imports. Due to internal and external involvement, not only the deficit for November was financed, but also significant amounts of funds in national and foreign currency were accumulated in government accounts. Given the significant involvement in December, a significant recovery in expenditures is expected at the end of the year.

In December, the NBU raised the discount rate by 0.5. n. - up to 9.0%. The decision was conditioned by the need to eliminate additional pro-inflation risks and improve inflation expectations, which will contribute to a gradual reduction of inflation to the target. The UONIA overnight interbank rate index also rose, but remained close to the lower limit in the NBU interest rate corridor due to the preservation of a significant amount of liquidity in the banking system. The yield on hryvnia IGLBs also increased during the initial public offering, reflecting the government's funding needs at the end of the year. This allowed the Ministry of Finance to attract a significant amount of funds, including through demand from non-residents.

In November, banks raised rates on hryvnia deposits, gradually responding to previous NBU decisions to strengthen monetary policy. Loan rates did not have a clear trajectory. The weighted average cost of loans to households decreased significantly due to significant amounts of equity loans issued by one of the state-owned banks. On the other hand, the weighted average interest rates on loans to non-financial corporations remained at the level of the previous month. Banks continued to actively increase their loan and deposit portfolios.

In December, the foreign exchange market was mostly balanced. This was facilitated by an increase in export earnings, including agricultural enterprises, and a net supply of cash foreign currency. However, the persistence of geopolitical tensions has negatively affected the mood of market participants. During the month, the National Bank went out with both the sale and purchase of foreign currency to smooth out excessive fluctuations in the market. Sales were relatively large, accounting for a negative balance of NBU interventions (USD 0,2 billion).

The global spread of COVID-19 has significantly affected the economic situation around the world, including Ukrainian companies. A significant number of companies in the country are forced to suspend or limit their activities indefinitely at the date of preparation of these financial statements. Measures taken to curb the spread of the virus, including restrictions on traffic, quarantine, social distances, suspension of infrastructure, etc., are slowing down the economic performance of companies, including the Bank's customers. The financial system in the country at the date of preparation of the Bank's financial statements is relatively stable, but has significant currency risks.

The Bank has determined that these events are not adjusting for the financial statements for 2021. Accordingly, the financial position of the Bank as at 31 December 2021 and the results of operations for the reporting period ended 31 December 2021 have not been adjusted for the effects of events related to COVID-19. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government support at the date of preparation of these financial statements, remain uncertain, which does not allow a reliable estimate of the extent, duration and severity of these future periods.

Note 3. Basis of preparation

The Bank's annual financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except for the following items: available-for-sale securities in the Bank portfolio at fair value, loans and advances to customers, due from other banks, due to customers, held-to-maturity securities in the Bank portfolio at amortized cost.

The financial statements are presented in UAH, and all amounts are rounded to thousands, except where otherwise indicated. The Bank's functional currency is UAH.

The Bank's accounting policy for the reporting period corresponds in all major aspects to the Bank's accounting policy for the previous period.

The Bank's accounting records and financial statements are based on the following principles:

- full coverage - all banking transactions are to be registered on accounts without any exceptions. The financial statements must contain all information about actual and potential effects of the Bank's operations that may affect the decisions made according to it;
- autonomy - all asset and liability accounts of are measured separately and disclosed in detail;
- continuity - the Bank's assets are valued on the assumption that the Bank is a going concern and remains active in the boundless future. If the Bank plans to scale down its activities, such intention shall be recorded in the financial statements;
- consistency - the Bank's permanent (year on year) application of accounting policies selected. Changes in the accounting method are possible only in cases stipulated by international standards and national regulations of accounting and require additional justification and disclosures in the financial statements.
- Continuity - Assets and liabilities are assessed based on the assumption that the Bank is continuously operating and will remain operational for the foreseeable future. If the Bank plans to downsize, it should be reflected in the financial statements
- substance over form - is an accounting concept which requires transactions to be accounted for according to their substance and not merely their legal form.
- accrual and correspondence of income and expenses - in order to determine the reporting period results, the income for the reporting period shall be reconciled with the expenses incurred to obtain such income. Income and expenses are disclosed in the accounting records and financial statements when incurred regardless of the date of receipt or payment of cash assets;
- Single Monetary Measurement - Measurements and summaries of all the Bank's operations in its financial statements are carried out in a single monetary unit.

There are no plans regarding termination of the Bank's activities. These financial statements have been prepared on the assumption of the Bank's ability to continue as a going concern.

Note 4. Summary of significant accounting policies

Note 4.1. Core activities

The Bank operates under the legislation ot Ukraine, including the Laws of Ukraine "On Banks and Banking Activity", "On Accounting and Financial Reporting in Ukraine", "On Payment Systems and__ Money Transfer in Ukraine", the Tax Code of Ukraine. The Bank maintains accounting records in accordance with the statutory requirements for accounting and reporting in the banks of Ukraine- set by the rules of the National Bank of Ukraine in accordance with International Accounting Standards, as well as the Bank's internal documents, the Charter, Regulations on the Supervisory- Board of the Bank, Regulations on the Management Board, and other transaction regulations.

During 2020 the Bank's activities were focused on expanding the customer base, improving key business processes and customer service technologies, updating banking services in response to changes occurring in the country and society.

The Bank aims to maximize profits from treasury operations and fully meet the needs of customers in qualitative banking servicing on the monetary, foreign exchange and stock markets. The Bank's activities are based on the principles of reliability, transparency, well-balanced financial performance, compliance with banking regulations.

The nature of operations and principal activities of the Bank are set out in the Corporate information.

Note 4.2. Basis of preparation

Key assessment indicators. Financial assets and liabilities are stated at fair value, historical cost or amortized cost depending on their classification.

Fair value - is the amount on which an asset can be exchanged, or a liability settled during the implementation of an agreement on general conditions between knowledgeable unrelated- parties acting on a voluntary basis. Fair value is the current bid price for financial assets and financial liabilities for the bid listed on the active market. A financial instrument is considered so- that is quoted in an active market, if the quotes for this financial instrument are readily and regularly available on the stock exchange or other institution and those prices represent actual- and regularly occurring market transactions on general terms.

To determine the fair value of certain financial instruments for which there is no information about market prices from external sources, the valuation techniques are used such as discounted cashflow, valuation models that are based on data about the latest agreement made between unrelated parties, or analysis of financial information on investment objects. The use of valuation techniques may require assumptions not supported by observable market data. The information in the financial statements is disclosed in cases when changing of any such assumptions by possible alternative may result in significantly different profit, income, total assets or total liabilities

Historical cost is the amount of cash or cash equivalents paid or the fair value of other_ consideration given to acquire an asset at the acquisition date, which includes transaction costs.

Historical cost valuation is applied to equity instruments that do not have a quoted market prices- in an active market, and fair value of which cannot be reliably measured. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial- asset or financial liability. An incremental cost is one that would not have been incurred if an. entity had not acquired, issued or disposed of a financial instrument. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Note 4. Summary of significant accounting policies (continued)

In addition to assessment methods in recognition of assets, the Bank uses various methods to bring the value of financial instruments and assets to fair value through the accrual of income and expenses, including using the effective interest rate method, formation of special purpose, bank reserves, revaluation to fair value, depreciation of non-current assets, etc.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus interest accrued, plus (or minus) cumulative amortization of any difference between that initial amount and the maturity amount using effective interest method, and minus any reduction for impairment for the financial assets..

Effective interest rate method is the method of calculating the amortized cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of a financial instrument or, where appropriate, a shorter period to the net balance sheet value of a financial asset or a financial liability.

The accounting policies of the Bank in all significant respects consistent with the requirements of IFRS and the requirements of regulatory legal acts of the National Bank of Ukraine.

Note 4.3. Initial recognition of financial instruments

A financial asset or a financial liability is recognized when the Bank becomes a party to the agreement on this financial instrument. At initial recognition financial assets and financial liabilities are measured:

- at fair value through profit or loss, excluding transaction costs - trading securities;
- at fair value plus transaction costs through profit or loss directly attributable to the acquisition or issue of a financial asset or financial liability - derivatives and all other financial instruments.

The fair value of a financial instrument at initial recognition is normally the actual transaction price. Gains or losses at initial recognition are recognized only if there is a difference between the fair value and the contractual value proved by other current transactions with the same financial instrument observed in the market, or valuation techniques using only observable inputs as baseline data.

Purchases and sales of financial assets supply of which is carried out within the terms established by the laws or customs of business turnover for the particular market were stated on the transaction date.

All other purchases and sales are recognized on the settlement date, where the change in the fair value of the assumption of obligations between a transaction date and settlement date is not recognized in respect of assets carried at cost or amortized cost

Note 4.3.1. Classification and evaluation

Financial assets

Classification of financial instruments of the Bank is based on a combination of the business model of financial tool management and characteristics of cash flows.

Types of business models of the Bank:

1) Designed to collect cash flows under the agreements that arise from a financial asset (Hold to collect);

Note 4. Summary of significant accounting policies (continued)

2) Designed to collect cash flows under the agreements that arise from a financial asset and from their sale (Hold to collect and sell);

3) Other models (the remaining one, that is there is no definition of the model at fair value).

The Bank, after initial recognition, evaluates a debt financial asset based on a business mode and characteristics of the cash flows provided for by the agreement, for:

1) the depreciated cost (DC);

2) the fair value with the price change recognition in other comprehensive income (FVOCI);

3) the fair value with the price change recognition through profit/loss (FVPL).

The Bank assesses the debt financial asset at depreciated cost and records it in its books of~ account, provided that the following conditions are fulfilled simultaneously:

1) the financial asset is withheld within the framework of a business model, which is aimed withholding the financial assets for cash flows provided for by the agreement;

2) the financial asset agreement provides for a receipt of cash flows at the specified dates, which are exclusively payments for the principal amount and interest on the outstanding part of th' principal amount.

The Bank assesses the debt financial asset at the fair value with the price change recognition in other comprehensive income and records it in its books of account, provided that the following conditions are fulfilled simultaneously:

1) the financial asset is withheld within the framework of a business model, the purpose of which is achieved both through a receipt of the cash flows provided by the agreement and through the sale of financial assets;

2) the financial asset agreement provides for a receipt of cash flows at the specified dates, which are exclusively payments for the principal amount and interest on the outstanding part of the- principal amount.

The Bank assesses all other debt financial assets at the fair value with the price change recognition through profit/loss and records it in its books of account, if such financial assets do not meet the criteria for their subsequent assessment at the depreciated cost or at fair value with the price change recognition through other comprehensive income.

At the initial recognition of a financial asset, the Bank may, at its discretion, classify it, without the right to further reclassification, as being recognized at fair value with the price change recognition through profit/loss, if such classification eliminates or significantly reduces the inconsistency of valuation of assets or liabilities, or recognition of profits and losses associated with them.

Financial liabilities

After the initial recognition, the Bank assesses all financial liabilities at depreciated cost and records them in its books of account, except for:

Note 4. Summary of significant accounting policies (continued)

1) financial liabilities recognized at fair value with the price change recognition through profit/loss (financial liabilities intended for trading, including derivatives) or those that the Bank determined by its own decision to measure through the FVPL in order to reduce the disparities in the accounting);

2) financial liabilities that arise when transfer of a financial asset does not comply with the terms of termination of recognition or when the participation continuation principle is applied:

3) financial guarantee, bank guarantee, surety agreements;

4) loan commitments at a rate below the market one;

Note 4.4. Impairment of financial assets

The Bank recognizes the fair value reserve for the expected credit losses for:

• financial assets assessed at the depreciated cost;

• financial assets assessed at the fair value with the price change recognition through other comprehensive income;

• loan commitments and financial guarantees;

• financial receivables.

The expected losses of the Bank in regard to the reserve formation mean the risk of loss incurred as a result of one or more circumstances:

- failure to fulfill (improper fulfillment) of obligations by the Debtor of the Bank under the active transactions or as a result of failure to fulfill obligations by the Debtor, whose proper fulfillment of obligations is ensured by the obligations assumed by the Bank;

- impairment (decrease in value) of the Bank's financial tools;

- availability and recognition by the Bank of signs indicating a high credit risk and/or default of the Debtor;

- increase in the liabilities and/or expenses of the Bank in comparison with those previousl7 reflected in the accounting.

When assessing financial tools, the Bank applies the model of "Expected Credit Losses" (ECL), which is a recognition of impairment both on financial assets and liabilities, beginning from the- date of initial recognition, and provides for 3 stages of impairment:

Stage 1 - financial tools without considerable credit risk growth (risk assessment/creation of reserves is carried out within 12 months);

Stage 2 - financial tools with considerable credit risk growth (risk assessment/creation of reserve is carried out for the entire duration of the agreement);

Stage 3- impaired financial tools (risk assessment/creation of reserves is carried out for the entire duration of the agreement).

Note 4. Summary of significant accounting policies (continued)

Reserves are divided into:

- the fair value reserves for financial tools of stage 1 of impairment (expected credit losses within- 12 months);

- the fair value reserves for financial tools of stage 2 or 3 of impairment (expected credit losses" within the entire validity of the financial asset).

The expected credit losses (or fair value reserves) are determined as the weighted average value- of credit losses, determined using the appropriate probabilities of occurrence of default even! as weighting factors.

If there are signs of a significant increase in the credit risk, the Bank calculates the expected credit losses from impairment of financial assets on individual (for material financial tools) or portfolio (for non-material financial tools) basis using the scenario approach.

The Bank calculates the amount of expected credit losses from impairment of financial tools for each scenario on individual basis at the reporting date as an amount in excess of the gross_ carrying amount of the financial asset over the current value of the estimated future cash flows for that asset and from enforcement of the security.

In the short-term transactions with other Debtors and/or active transactions, under which the amount of tranches and the term of their repayment is unknown, the amount of expected credit losses is determined as the product of the probability of default, the gross carrying amount of the- financial asset and the level of losses in the event of default.

Note 4.5. Derecognition of financial assets

Financial assets. A financial asset (or, where applicable a part of a financial asset or group of similar financial assets) is derecognized when the assets are redeemed or the rights to receive — cash flows from the assets have otherwise expired, or the Bank has transferred substantially all the risks and rewards of ownership or has not transferred and retained basically all the risks and— rewards of ownership but has ceased to exercise control. Control is retained if a counterparty does not have the practical ability to sell the asset to an unrelated third party without additional- restrictions on resale

Financial liabilities. A financial liability is derecognized when it is discharged or canceled or expires. When one existing financial liability is replaced by another to the same lender on substantially different terms, or when the terms of existing liabilities change, the initial liability is withdrawn from the account with subsequent recognition of a new financial instrument, and the difference between the respective carrying amounts is recognized in the statement of comprehensive income.

Note 4.6. Cash and cash equivalents

Cash and cash equivalents. Cash and cash equivalents are assets which can be converted into cash at short notice and which have low risk of change in value. Cash and cash equivalents are unrestricted balances on correspondent accounts with the National Bank of Ukraine and other banks with maturity up to three months, which may be freely converted to the respective amount of cash in a short period of time, as well as deposits and overnight loans at banks, for which interest does not accrued and provisions for depreciation of possible losses under credit transactions are not formed.

Note 4. Summary of significant accounting policies (continued)

Note 4.7. Due from other banks

Due from other banks are short-term deposits and loans, as well as overnight loans and deposits, for which interest is accrued and provisions for depreciation of possible losses under credit transactions are formed.

For the purposes of reporting in "Due from other banks". Bank account balances on correspondent accounts in other banks, on which there is an interest and /or formed provisions for impairment of possible losses on credit operations.

Note 4.8. Loans and advances to customers

Loans and advances to customers represent non-derivative financial assets with fixed or determined payments, which are not quoted (listed) in an active market, except for assets classified as other categories of financial assets.

Loans granted by the Bank are initially recognized at fair value plus related transaction costs. Subsequently, loans are carried out at amortized cost using the effective interest rate method. Loans to customers are recognized net of any allowance for impairment losses. Interest income and impairment losses are recognized in profit and loss. In case of uncertainty regarding the possibility of loans repayment, their value is reduced to the present value of the expected cash flows and interest income is thereafter recorded based on the effective interest rate on this instrument used to measure the impairment loss. In this case, the accrued interest on such instrument is calculated based on the cost of the instrument taking into account the provision for impairment.

Lending commitments. The Bank undertakes credit commitments including financial guarantees. A financial guarantee is an irrevocable undertaking of the Bank to pay a certain amount to the beneficiary of the guarantee within the specified limits of the guarantee if the Bank's customer who has requested the Bank to issue such guarantee has failed to fulfil his obligations towards the beneficiary.

Note 4.9. Securities transactions

Securities trading activities are carried out by the Bank in accordance with the license of the National Commission on Securities and Stock Market. These operations are performed by the Bank in accordance with the legislation of Ukraine, regulations and duly executed agreements.

During the initial recognition of securities measured at fair value through profit or loss, the Bank measures them at fair value, net of transaction costs. The costs of transactions for the purchase of such securities are reflected in the accounting of expense accounts on the date of their implementation.

All other securities at initial recognition are measured at fair value plus transaction costs.

Securities in the Bank's portfolio that are carried at amortized cost are initially recognized at fair value with the reflection of income and expenses related to the purchase on the discount / premium accounts.

The fair value of the securities at the date of the transaction / reporting date after initial recognition is determined using the following priority methods:

- quotation price of the buyer (lastbid price),
- reference to the market price of another similar financial instrument,

Note 4. Summary of significant accounting policies (continued)

- on the basis of market yields to maturity resulting from the trading of similar financial instruments for the last month preceding the reporting date,

- based on recent market transactions between knowledgeable, stakeholders and independent parties.

At each balance sheet date after recognition, all securities purchased by the Bank are measured at fair value, except:

- securities that are carried at amortized cost;

- shares and other non-fixed income securities carried at fair value through profit or loss, the fair value of which cannot be measured reliably.

t each subsequent balance sheet date, securities measured at amortized cost using the effective interest rate are reviewed for impairment (as the difference between the asset's carrying amount and the present value of estimated future cash flows).

The Bank forms reserves for securities issued by non-bank financial institutions. The Bank does not form reserves for securities issued by central executive bodies and the National Bank of Ukraine. Debt on securities recognized by the Bank as bad is written off against the created reserves by the decision of the Management Board of the Bank.

During the reporting year, the Bank's portfolio of securities carried at fair value through other comprehensive income consisted of domestic government bonds and debt securities issued by non-bank financial institutions.

During the reporting year, the Bank's securities portfolio, carried at amortized cost, consisted of bonds issued by non-bank financial institutions and certificates of deposit of the National Bank of Ukraine..

Note 4.9.1. Contracts of sale (purchase) of securities with the obligation to repurchase (sell)

Contracts for the sale (purchase) of securities with the obligation to repurchase (sell) the Bank recognizes as granted (received) a loan secured by securities and accounts for amortized cost. The difference between the sale price and the reverse repurchase price is the interest expense and is recognized in profit or loss over the term of the repurchase agreement using the effective interest rate method.

The Bank continues to recognize securities that have been sold with a repurchase obligation prohibiting the buyer from selling or pledging them in the fair value portfolio, through gains or loss or securities portfolios at fair value through other comprehensive incomeIf the repurchase agreement gives the buyer the right to sell or pledge the securities, the Bank shall reclassify such securities as securities receivables.

During 2021, the Bank carried out transactions of purchase and sale of securities under repurchase agreements, which were recorded as a credit transaction with interest income recognition and continued recognition of securities in the portfolio, measured at fair value through other comprehensive income from repurchase agreements.

Note 4. Summary of significant accounting policies (continued)

Note 4.9.2. Transactions with own debt securities

The Bank initially measures and reflects in accounting debt financial liabilities for own debt securities (hereinafter - own debt bonds) at fair value, taking into account transaction costs.

When placing own debt bonds, the Bank recognizes profit or loss in the amount of the difference between the fair value of the bonds and the contract value in correspondence with the discount / premium accounts and the accounts for income or expense in the initial recognition of financial liabilities, higher / lower than fair. If information on the fair value of own debt bonds is missing, income or expense is not recognized in the initial recognition of financial liabilities.

The Bank assesses and reflects in the accounting of bonds of own debt at amortized cost the next balance sheet date after recognition. The Bank recognizes in the accounting interest expenses on debt financial obligations on securities of own debt at the effective interest rate.

The Bank pays the income / repayment of amounts on debt financial obligations on own debt securities in time in accordance with the terms of issue of securities according to the register of securities holders, formed by the National Depository, based on the order issued by the Bank.

Note 4. Summary of significant accounting policies (continued)

N 4.10. Fixed assets

Fixed assets and other non-current tangible assets are accounted for in accordance with the - requirements of the Regulations on financial accounting of fixed assets and intangible assets. The fixed assets are recognized by the Bank at the historical cost. The cost of acquired fixed assets and other non-current tangible assets includes all expenses associated with the acquisition, delivery, installation and putting into operation. Administrative and other expenses not directly related to an acquired asset or its putting into operation were not included to the _ historical cost of an asset. Assets' current repair and maintenance expenses expensed as incurred and did not affect the carrying amount of non-current assets.

According to the Bank's Accounting Policy, non-current tangible assets with an initial cost of up to UAH 6,000.00. on May 23, 2021 were recognized as low-value non-current tangible assets, and from May 23, 2021 the value of such non-current assets increased to UAH 20,000.00.

Depreciation of fixed assets and other non-current tangible assets is performed every month. For assets acquired depreciation is calculated from the 1st day of the month following the month of acquisition, and for assets disposed depreciation terminates from the 1st day of the month following the month of disposal.

Depreciation is calculated on a straight-line basis. The residual value of fixed assets is assumed to be zero.

In the estimation of the useful lives of the assets the following criteria were taken into account: prior experience operating with similar assets, current status of assets, asset repairs and maintenance issues, current trends in engineering. During the annual inventory of fixed assets, the Bank replaces the expected economic benefits from the use of fixed assets.

The Bank's accounting policies for 2022 provide for the following useful lives of fixed assets:

- machinery and equipment -5 years;
- furniture and fixtures - 4 years;
- other non-current tangible assets - according to the term of the premises lease agreement.

The acquired non-current tangible assets of low value are depreciated in the first month of the asset's use in the amount of 100% of its value.

Note 4.11. Intangible assets

Intangible assets are measured and accounted for at cost, which comprise the actual cost of acquisition (production) and bringing to a state in which they are suitable for use according to the intended purposes.

Depreciation is calculated monthly using a straight-line method under the norms set according to useful lives of corresponding assets. The useful life of an intangible asset is established by the Bank independently taking into account the following criteria: prior experience operating with similar assets, current trends in software development, performance characteristics.

Finite useful lives of intangible assets are approved by the commission of the Bank, but not more than 10 years. The largest share of intangible assets constitute assets with useful lives of 10 years.

Note 4. Summary of significant accounting policies (continued)

In 2021, during conduction of the annual inventory of intangible assets, the Bank neither changed the expected economic benefits from the use of intangible assets and fixed assets, nor reviewed deadlines of useful lives for commissioned intangible assets.

Note 4.12. Leases.

The lease is concluded by a contract which gives the user (the lessee) the right to control the use of the asset (the underlying asset) for a certain period in exchange for compensation.

The Bank assesses the lease as a whole or individual components as a lease, if the asset is identified, the Bank is entitled to receive virtually all economic benefits from the use of the identified asset throughout its useful life, the Bank is given the right to determine how the asset is used in exchange for compensation, the lessor does not have a material right to replace the asset during its useful life.

The Bank uses the practical expedient of not recognizing the right to use the lease assets and liabilities for short-term leases with a term not exceeding 12 months from the date of its first use, as well as for the lease of low value assets. Lease payments under such contracts are recognized as an operating expense over the life of the contract. A lease that contains acquisition opportunities is not a short-term lease.

In other cases, the Bank, as a lessee, recognizes the lease asset (lease obligation) at the effective date of the lease. The Bank initially recognizes an asset at right-of-use value, which includes the amount of the initial estimate of the lease liability, the lease payments made on or before the lease date, less the incentive lease received, the initial direct costs incurred by the Bank, costs incurred for dismantling, moving, and bringing the underlying asset to the condition required by the terms and conditions of the lease.

The Bank recognizes the lease liability at the present value of the lease at the present value of the lease payments not paid at that date. The lessee discounts the payment for the right to use the underlying asset for the lease term (lease payments), using the interest rate specified in the lease. The tenant applies the NBU discount rate if the rate is not specified in the lease agreement. The net present value of the lease payments is recognized as a financial liability. The rent payments themselves are divided into principal and interest payments using the effective interest method. If the lease payment includes a VAT amount, the Bank displays the VAT amount in separate account.

The right to use the assets is amortized on a straight-line basis over the lease term. If the amount of the lease payments is expected to change, the obligation is revalued, such adjustment is mad,, together with a corresponding recalculation of the right to use the assets value.

Note 4.13. Derivative financial instruments.

A derivative is a financial instrument or other contract with the following characteristics: its value changes in response to the change in a specified interest rate, financier instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; it requires no initial net investment that is smaller than would be required for other type of contracts that would be expected to have a similar response to changes in market factors; it is settled at a future date.

A derivative instrument is recognized as a financial asset or financial liability on the date c^- obligation regarding purchase or the sale of a contract subject. Derivative financial instruments include currency swaps, forward transactions, foreign exchange spot transactions and combinations of these instruments

Note 4. Summary of significant accounting policies (continued)

Derivative financial instruments are recognized at fair value through profit or loss. Derivatives are carried as assets when their fair value is positive or as liabilities when their fair value is negative. The fair value of derivatives that are not sold and not acquired in an active market is determined using valuation techniques.

Note 4.14. Funds raised

Due to other banks are recognized upon the receipt of funds by the Bank, Non-derivative financial liabilities are accounted for at amortized cost.

Due to customers comprise non-derivative financial liabilities to government and corporate customers, individuals, and are accounted for at amortized cost.

The Bank recognizes interest expenses on borrowed funds at least once a month in profit or loss and other comprehensive income (Statement of comprehensive income).

Note 4.15. Provisions for liabilities

Provisions for liabilities are determined and recognized in the financial statements when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Note 4.16. Income tax

Current income tax expense is determined based on tax laws and current tax rates for the period in which the income is earned.

Current income tax and deferred income tax are determined and recognized in the financial statements separately.

Current income tax and deferred income tax are recognized as expenses or income in the statement of comprehensive income, except for income tax assessed in respect of the revaluation of assets to the fair value which is recorded as the Bank's' capital.

Deferred taxes are recognized when there is a temporary difference between the carrying amount of the asset or liability in the statement of financial position and its tax base.

Deferred tax liabilities are recognized for all temporary differences that increase the taxable amount.

Deferred tax assets are recognized for all temporary differences that reduce the tax base and unused tax losses carried forward and are recognized only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized as tax losses.

Deferred tax assets and liabilities are measured using the balance sheet liability method, using the tax rate that is expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates and tax laws which will be effective as of the reporting date of this period. Deferred tax assets and liabilities are not discounted.

In 2021 the Bank recorded the taxable amount of UAH 12 750 thousand.

Note 4. Summary of significant accounting policies (continued)

Note 4.17. Share capital

The share capital represent liabilities regarding cash contributions paid by the Shareholders the amount of which is determined in the statutory manner.

According to the Laws of Ukraine "On Banks and Banking Activity" and "On Joint Stock Companies" and the Bank's Charter, the decision on equity issue is taken at the General Meeting of the Shareholders.

Note 4.18. Dividends

Dividends represent a portion of the Bank's profit distributed between the Shareholders based on each of their shares to the extent determined by the General Meeting of the Shareholders within a period not later than six months after the end of the reporting year. Bank pays dividends entirely in cash.

Note 4.19. Income and expenses recognition

Income and expenses are recognized according to the principles of accrual, correspondence of income and expenses, prudence.

Income and expenses are recognized by the Bank, provided there is a high probability that the Bank will receive economic benefits.

As a result of operating activities the following income and expenses arise at the Bank:

- interest income and expenses;
- fee and commission income and expenses;
- profits (losses) on trading transactions;
- dividend yield;
- cost of formation of special provision;
- income from repayment of assets previously written off;
- other operating income and expenses;
- general administrative expenses;
- income tax.

Interest income and expenses are operating income and expenses obtained (paid) by the Bank for the use of cash, cash equivalents or amounts owed to the Bank (raised by the Bank), amount of which are calculated in proportion to time using the effective interest rate. They include:

- income (expenses) from operations with funds placed in other banks (attracted from other banks);
- income (expense) on loans and deposits granted (received) to legal entities and individuals, and on other financial instruments, including securities;
- income in the form of a discount (premium) amortization.

Interest and related commissions are charged at least once a month, irrespective of the actual frequency of settlements with a counterparty stipulated by an agreement.

Note 4. Summary of significant accounting policies (continued)

Fee and commission income and expenses (hereinafter- "the commissions") - operating income and expenses for provided (received) services, the amount of which is calculated in proportion - to the amount of an asset or liability, or is fixed. The commissions for provided (received) services depending on the purpose of evaluation and accounting base of an associated financial- instrument are divided into:

- the commissions that are an essential part of income (expenses) of a financial instrument;
- the commissions received (paid) at the time of service provision are recognized a income (expenses);
- the commissions received (paid) after certain actions are recognized as income (loss), after completion of a certain operation.

Commission income (expenses) for services that are provided continuously (settlement and cash service) were accounted for throughout the term of the agreement. The Bank recognizes income (expenses) for one-time services [for example, commissions for currency exchange, provision (consultations)] without reflection in the accounts of accrued income (expenses), if the funds received (paid) in the reporting period in which the services are actually provided (are obtained).

Profits (losses) from trading operations - a result (profit or loss) from operations of purchase and sale of various financial instruments. The Bank recognizes profits and losses regarding securities— transactions, foreign currency transactions, bullion (banking metals) transactions from:

- *sale of financial investments;*
- *changes in valuation (revaluation) of investments to fair value;*
- *assets and liabilities revaluation result in foreign currency and banking metals in case of a change of the official UAH rate against foreign currencies (banking metals).*

Expenses on the special provisions formation are expenses to cover possible losses from the Bank's assets impairment and bad assets write-off.

Dividend yield - income generated from the Bank's use of securities with variable income.

Income from repayment of assets previously written off are the funds obtained for debt repayment recognized by the Bank as a bad debt.

Employee Benefits Expenses - maintenance costs for the Bank's employees [salaries, social security' costs, statutory charges, insurance, surcharges, bonuses, training, etc.).

Depreciation and amortization costs are the systematic distribution of the value of fixed assets and intangible assets that are amortized over their useful life (use).

Other operating income and expenses are income and expenses from transactions not related to investing and financing activities, as well as those not included in the above groups of operating income and expenses, including:

income (loss) from operating leasing; expenses for audit services; cash collection expenses; forfeit (penalties, fines) received (paid) for banking operations, others.

Note 4. Summary of significant accounting policies (continued)

General administrative expenses are operating expenses incurred to ensure that the Bank will be able to continue as a going concern. These include staff costs (salaries, social security costs, mandatory charges, insurance, additional payments, bonuses, training, etc.); amortization of intangible assets; costs of maintenance and operation of fixed and intangible assets (repairs, insurance); other operating expenses (utilities, security, etc.); fees for professional services (legal, etc.); communication costs (postage, telephone, etc.); payment of taxes and other mandatory payments, other than income tax, and other expenses aimed at maintenance and management of the Bank.

Income tax - the Bank's operating expenses related to tax payment in accordance with the current legislation of Ukraine and the requirements of international accounting standards and national regulations (standards) of accounting regarding the recognition of deferred tax liabilities and tax assets.

Income and expenses recognized by the Bank are grouped according to their nature in the relevant items of the financial statements in the "statement of comprehensive income". In order to determine the financial result of the reporting period the income of the reporting period is reconciled with the expenses incurred to obtain this income. Income and expenses are accounted for as incurred, regardless of the date of receipt or payment of cash assets. Income and expenses of the Bank are accounted for using the basic accounting principles, in particular, accrual, matching and prudence concepts.

Note 4.20. Foreign currency revaluation

Income and expenses in foreign currencies were disclosed in the statement of comprehensive income at the official foreign exchange rate set by the National Bank of Ukraine at the transaction date. Foreign exchange differences arising in respect of foreign currency transactions are recognized as income or expenses of the reporting period.

The Bank's assets and liabilities in foreign currencies are stated at the official foreign exchange rate as at the reporting date.

The official foreign exchange rates as at 31 December 2021 were as follows:

840=USD=100=2727,8200 UAH

978=EUR=100=3092,2600 UAH

Monetary balance sheet items in foreign currencies are accounted for using the current foreign exchange rate; non-monetary items stated at historical cost, deposit of which to the balance is related to a foreign currency transaction, are accounted for at the foreign exchange rate at a transaction date. All foreign currency accounts are revalued every time the official foreign currency rate of the National Bank of Ukraine changes.

The Bank's management policy on the risk of losses due to changes in foreign exchange rates is disclosed in the General Information on the Bank's activities in 2021 and in the note "Financial Risk Management".

Note 4.21. Mutual offset of assets and liabilities

Financial assets and liabilities with subsequent inclusion in the statement of financial position of only their net amount can be mutually offset only if there is a legally enforceable right to offset the recognized amounts, if there is an intention to settle a transaction on a net basis or to realize simultaneously an asset and settle a liability.

The Bank did not offset assets and liabilities during the reporting period.

Note 4. Summary of significant accounting policies (continued)

Note 4.22. Employee benefits and related charges

The Bank recognizes expenses for employee benefits at least once a month in profit and loss and other comprehensive income. These payments include principal and additional salaries, payment of annual principal and additional vacations, and compensation for the first 5 days of temporary disability, bonuses and rewards, an allowance for unused vacations, costs for occupational pension scheme, payroll tax and social security tax costs.

Note 4.23. Business segment reporting

The Bank primarily focuses on one business segment, namely treasury operations, which includes:'

- activities in the monetary market regarding attraction and investment of funds in the interbank market of Ukraine:
- foreign exchange market services including foreign currency transactions at the customers' disposal and at the Bank's expense.
- transactions with securities in the Bank's portfolio.

Other operations comprised assets (liabilities) not included in the main segment, such as cash, correspondent accounts in the National Bank of Ukraine, liabilities related to the administrative and economic activities of the Bank, settlements with employees, settlements in respect of taxes and levies to the state and local budgets, to the Pension Fund, other extra budgetary funds.

During 2021, the Bank did not apply transfer pricing methods in the preparation of financial-statements by business segments, given the characteristics of the organizational structure.

Note 4.24. Significant accounting estimates and assumptions

The Bank in its operational, financial, investment and economic activities makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying_ amounts of assets and liabilities within the next financial year. Estimates and assumptions ore continually revised and are based on the Management's experience and other factors, including — expectations of future events that are considered to be reasonable for the circumstances. In addition to the judgments that provide for estimates, the Management also uses assumptions in-¬applying the accounting policies. The results of review of estimates and assumptions are recognized in the review period and valid until the next revision of estimates and assumptions.

Assumptions that have the most significant effect on the amounts recognized in the financial-statements and estimates that can cause significant adjustments to the carrying amount of assets and liabilities within subsequent financial periods include:

Related party transactions

In the normal course of business, the Bank enters into transactions with related parties. In the absence of an active market for such transactions, assumptions are used. The basis for assumptions is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Note 4. Summary of significant accounting policies (continued)

Initial value of financial instruments

The Bank shall account for financial instruments at fair value at initial recognition. In the absence of an active market for the relevant financial instruments to determine their market (non-market) rates, assumptions are used on the basis of agreements between independent, knowledgeable, and interested parties.

Going concern

The fundamental assumption of the financial statements' preparation is the going concern assumption - the Bank prepares its financial statements on the assumption that it is able to continue its activities in the foreseeable future as a going concern, has neither the intention nor the need for the elimination or significant reduction in the volume of transactions.

Note 4.25. Related party transactions

During 2021, the Bank carried out transactions with related parties, detailed information regarding which is disclosed in the relevant note.

Note 5. New and revised standards

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Bank.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with

a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Bank.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Bank.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the

requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank accounting policy disclosures.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Bank. The Bank intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

(in UAH thousand)

Note 6. Cash and cash equivalents

	2021	2020
Cash with the National Bank of Ukraine	11 893	5 886
Correspondent accounts at other banks:	195 102	244 945
- Ukraine	195 102	244 945
Provisions for impairment of cash and cash equivalents	(38 372)	(33 230)
Total cash and cash equivalents	**168 623**	**217 601**

Bank balances are placed at correspondent accounts with resident banks of Ukraine, not adjudged bankrupt or under liquidation, or forced into temporary administration.

Note 7. Loans and due from banks

Table 7.1.Loans and due from banks

	2021	2020
Loans and due from banks carried at amortized cost	130 056	-
Loans and due from banks carried at fair value through profit/loss	4 092	4 241
Provisions for impairment	(26 011)	-
Total due from other banks less provisions	**108 137**	**4 241**

Table 7.2. Loans and due from banks carried at amortized cost

	2021	2020
Loans to other banks (short-term)	130 056	-
Provisions for impairment of loans and due from banks	(26 011)	-
Total due from other banks less provisions	**104 045**	**-**

Table 7.3. Analysis of credit quality of loans and and due from banks as at December 31, 2021

	Minimum credit risk	Total
Loans to other banks (short-term)	104 045	104 045
Due from banks in settlements	4 092	4 092
Total due from other banks	**108 137**	**108 137**

Note 7. Loans and due from banks (continued)

Table 7.4. Analysis of credit quality of loans and due from banks as at December 31, 2021

	Stage 1	Stage 2	Stage 3	Acquired or created impaired assets	Total
Due from other banks	130 056	-	-	-	130 056
Low credit risk	130 056	-	-	-	130 056
Total loans and due from banks	130 056	-	-	-	130 056
Provisions for impairment of loans and due from banks	(26 011)	-	-	-	(26 011)
Total loans and due from banks less provisions	**104 045**	-	-	-	**104 045**

Table 7.5. Analysis of changes in the provision for impairment of loans and due from banks, carried at amortized cost

	Stage 1	Stage 2	Stage 3	Acquired or created impaired assets	Total
Provisions for impairment as at the beginning of the period	-	-	-	-	**-**
(Increase)/decrease in provision for impairment during the year	(26 011)	-	-	-	(26 011)
Provisions for impairment as at the end of the period	**(26 011)**	**-**	**-**	**-**	**(26 011)**

The amount of the increase of the reserve in the amount of UAH 26 011 thousand is an integral part of the amount of UAH 38 246 thousand in the "Statement of profit and loss and other comprehensive income" (line "Net profit / (loss) from impairment of financial assets").

Note 8. Loans and due from customers

Table 8.1. Loans and due from customers

	2021	2020
Loans and due from customers carried at amortized cost	72 609	54 486
Provision for loan impairment	(2 632)	-
Total loans to customers less provisions	**69 977**	**54 486**

Table 8.2. Loans and due from customers carried at amortized cost

	2021	2020
Loans to legal entities	60 724	44 506
Loans to individuals	11 885	9 980
Provision for loan impairment	(2 632)	-
Total loans to customers less provisions	**69 977**	**54 486**

At the moment the loan portfolio forms about 3 % of assets. Customer lending has a batch nature. Concentration of the loan portfolio b major borrowers remains relevant. At the same time, the loans granted to legal entities are diversified by types of economic activity. The currency structure of the loans and advances to customers changed during the analyzed period. The Bank does not have non-performing loans

The structure of loans to legal entities comprises a loan to the Bank's related person in the amount of UAH 3 373 thousand.

Table 8.3. Analysis of loan quality carried at amortized cost for the reporting period

	Stage 1	Stage 2	Stage 3	Total
Loans and due from customers carried at amortized cost				
Low credit risk	72 609	-	-	72 609
Medium credit risk	-	-	-	-
Total gross book value of loans and due from customers	72 609	-	-	72 609
Provision for impairment of loans and due from customers	(2 632)	-	-	(2 632)
Total loans and due from customers	**69 977**	**-**	**-**	**69 977**

Note 8. Loans and due from customers (continued)

Table 8.4. Analysis of loan quality carried at amortized cost for the previous period

	Stage 1	Stage 2	Stage 3	Total
Loans and due from customers carried at amortized cost				
Low credit risk	12 980	-	-	12 980
Medium credit risk	-	41 506	-	41 506
Total gross book value of loans and due from customers	12 980	41 506	-	54 486
Provision for impairment of loans and due from customers	-	-	-	-
Total loans and due from customers	**12 980**	**41 506**	**-**	**54 486**

Table 8.5. Analysis of changes in provisions for impairment of loans and due from customers carried at amortized cost

	Stage 1	Stage 2	Stage 3	Total
Provisions for loan impairment opening balance	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Other changes (increase/decrease)	(2 632)	-		(2 632)
Provisions for loan impairment closing balance	**(2 632)**	**-**		**(2 632)**

The amount of the decrease of the provision of UAH 2 632 thousand is an integral part of the amount UAH 38 246 thousand in the «Statement of profit or loss and other comprehensive income» («Net increase/(decrease) in provisions for impairment of financial assets»).

Table 8.6. Analysis of changes in gross book value of loans and due from customers carried at amortized cost

	Stage 1	Stage 2	Stage 3	Total
Gross book value opening balance	12 980	41 506	-	54 486
Transfers to stage 1	41 506	(41 506)	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Other changes (repayment/provision)	15 491	-	-	15 491
Gross book value closing balance	**69 977**	**-**	**-**	**69 977**

Note 8. Loans and due from customers (continued)

Table 8.7 Loans structure by types of economic activities

	2021		2020	
	Amount	**%**	**Amount**	**%**
Supply of electricity, gas, steam and air conditioning	10 085	17	-	-
Wholesale trade, except of motor vehicles and motorcycles	13 042	21	3 000	7
Real estate activities	37 597	62	41 506	93
Total loans and due from customers except for provisions	**60 724**	**100**	**44 506**	**100**

Table 8.8. Information on loans by type of collateral as at December 31, 2021

	Loans to legal entities	**Loans to individuals**	**Total**
Loans unsecured	23 127	1 651	24 778
Loans secured by:	37 597	10 234	47 831
- real estate:	37 597	10 234	47 831
including residential purposes	-	10 234	10 234
Total loans and due from customers except for provisions	**60 724**	**11 885**	**72 609**

Table 8.9. Information on loans by type of collateral as at December 31, 2020

	Loans to legal entities	**Loans to individuals**	**Total**
Loans unsecured	-	-	-
Loans secured by:	44 506	9 980	54 486
- cash	3 000	-	3 000
- real estate:	41 506	9 980	51 486
including residential purposes	-	7 419	7 419
Total loans and due from customers except for provisions	**44 506**	**9 980**	**54 486**

Note 8. Loans and due from customers (continued)

Collateral value in this Note is indicated in the amount of future expected cash flows from collateral with regard to the collateral's liquidity ratio and implementation costs, according to the internal regulations of the Bank.

Table 8.10. Impact of collateral value on loan quality as at 31 December 2021

	Carrying amount	Expected cash flows from sale of collateralized provisions	Collateral impact
Loans to legal entities	60 724	37 597	23 127
Loans to individuals	11 885	10 234	1 651
Total loans	**72 609**	**47 831**	**24 778**

Table 8.11. Impact of collateral value on loan quality as at 31 December 2020

	Carrying amount	Expected cash flows from sale of collateralized provisions	Collateral impact
Loans to legal entities	44 506	44 506	-
Loans to individuals	9 980	9 980	-
Total loans	**54 486**	**54 486**	**-**

When calculating the allowance for impairment of financial instruments to comply with the principle of prudence, the Bank only considers highly liquid collateral, enforced collection of which is more reliable.

Note 9. Investments in securities

Table 9.1 Investment in securities

	2021	2020
Securities carried at amortized cost	142 614	85 011
Securities carried at fair value through other comprehensive income	1 819 403	1 570 670
Total securities	**1 962 017**	**1 655 681**

Table 9.2 Investment in securities carried at amortized cost

	2021	2020
Debt securities:	147 020	85 011
Deposit certificates of the National Bank of Ukraine	100 022	85 011
Bonds of enterprises	46 998	-
Provision for debt securities carried at amortized cost	(4 406)	-
Total securities	**142 614**	**85 011**

Deposit certificates of the National Bank of Ukraine are accounted for in the Bank's portfolio at amortized cost and take into account accrued interest in the amount of UAH 22 thousand. as at December 31, 2021

Note 9. Investments in securities (continued)

Table 9.3 Securities carried at fair value through other comprehensive income

	2021	2020
Debt securities:	1 819 563	1 570 670
Government bonds	1 818 402	1 570 670
Bonds of enterprises	1 161	-
Provision for debt securities carried at fair value through other comprehensive income	(160)	-
Total securities	**1 819 403**	**1 570 670**

Government bonds are carried at fair value through other comprehensive income and comprise accrued interest accrued in the amount of UAH 38 333 thousand as at 31 December 2021.

Table 9.4. Analysis of the credit quality of investments in securities carried at amortized cost as at December 31, 2021

	Stage 1	Stage 2	Stage 3	Total
Debt securities carried at amortized cost				
Minimum credit risk	100 022	-	-	100 022
Low credit risk	46 998	-	-	46 998
Total investments in securities	147 020	-	-	147 020
Provisions for impairment	(4 406)	-	-	(4 406)
Total debt securities	**142 614**	**-**	**-**	**142 614**

Table 9.5. Analysis of the credit quality of investments in securities carried at fair value through other comprehensive income as at December 31, 2021

	Stage 1	Stage 2	Stage 3	Total
Debt securities carried at fair value through other comprehensive income				
Minimum credit risk	1 288 657	-	-	1 288 657
Low credit risk	530 906	-	-	530 906
Total investments in securities	1 819 563	-	-	1 819 563
Provisions for impairment	(160)	-	-	(160)
Total debt securities	**1 819 403**	**-**	**-**	**1 819 403**

Note 9. Investments in securities (continued)

Table 9.6. Analysis of the credit quality of investments in securities carried at amortized cost as at December 31, 2020

	Stage 1	Stage 2	Stage 3	Total
Debt securities carried at fair value through other comprehensive income				
Minimum credit risk	85 011	-	-	85 011
Low credit risk	-	-	-	-
Total investments in securities	85 011	-	-	85 011
Provisions for impairment	-	-	-	-
Total debt securities	**85 011**	**-**	**-**	**85 011**

Table 9.7. Analysis of the credit quality of investments in securities carried at fair value through other comprehensive income as at December 31, 2020

	Stage 1	Stage 2	Stage 3	Total
Debt securities carried at fair value through other comprehensive income				
Minimum credit risk	1 312 124	-	-	1 312 124
Low credit risk	258 546	-	-	258 546
Total investments in securities	1 570 670	-	-	1 570 670
Provisions for impairment	-	-	-	-
Total debt securities	**1 570 670**	**-**	**-**	**1 570 670**

Note 10. Derivative financial assets

Table10.1. Financial assets at fair value through profit or loss

	2021	2020
Assets under forward agreements	30	22
Assets under future agreements	2	3
Assets under contracts under terms of SWAP	178	-
Total financial assets at fair value through profit or loss	**210**	**25**

Note 11. Fixed and intangible assets

As at 31 December 2021, the Bank has no:

- fixed assets, possession, use or disposal of which is restricted by the current legislation;
- fixed assets pledged, withdrawn from service, temporarily not used or transferred to assets for sale;
- intangible assets, ownership of which is restricted or property rights are not registered;
- increase or decrease arising from revaluations and as a result of impairment losses recognized or created directly in equity.

Table 11.1. Fixed and intangible assets

	Machinery and equipment	Instruments, fixtures and fittings	Other fixed tangible assets	Intangible assets	Total
Carrying amount as at 31 December 2019	**1 320**	**76**	**-**	**1 147**	**2 543**
initial cost	2 649	355	940	2 367	6 310
depreciation	(1 329)	(279)	(940)	(1 220)	(3 767)
Additions	77	-	8	-	1 035
Capital investments into fixed completion and intangible assets improvement	3	-	-	14	17
Depreciation	(409)	(25)	(8)	(311)	(1 619)
Carrying amount as at 31 December 2020	**991**	**51**	**-**	**850**	**1 892**
initial cost	2 729	355	948	2 381	6 413
depreciation	(1 738)	(304)	(948)	(1 531)	(4 521)
Additions	334	-	137	811	1 282
Capital investments into fixed completion and intangible assets improvement	-	-	-	160	160
Depreciation	(358)	(25)	(137)	(374)	(894)
Carrying amount as at 31 December 2021	**967**	**26**	**-**	**1 447**	**2 440**
initial cost	3 063	355	1 085	3 352	7 855
depreciation	(2 096)	(329)	(1 085)	(1 905)	(5 415)

Note 11. Fixed and intangible assets (continued)

Table 11.2. Right-of-use assets

	Real estate (lease)	Total
Carrying amount as at 31 December 2019	**797**	**797**
Initial cost	1 625	1 625
Depreciation	(828)	(828)
Additions	950	950
Disposals	(1 625)	(1 625)
Write-off of accumulated depreciation on disposal	828	828
Depreciation	(866)	(866)
Carrying amount as at 31 December 2020	**84**	**84**
Initial cost	950	950
Depreciation	(866)	(866)
Additions	933	933
Disposals	(950)	(950)
Write-off of accumulated depreciation on disposal	866	866
Depreciation	(855)	(855)
Carrying amount as at 31 December 2021	**78**	**78**
Initial cost	933	933
Depreciation	(855)	(855)

The bank leases real estate. The term of the lease is 12 months.

Note 12. Other financial assets

Table 12.1. Other financial assets

	2021	2020
Accounts receivable with banks / fin. institutions	629	-
Accounts receivable on foreign currency transactions	-	844
Accrued income for services	1 212	106
Provisions for impairment of other assets	(308)	(415)
Total other assets less reserves	**1 533**	**535**

Table 12.2. Analysis of changes in provisions for impairment of other assets

	Prepayments for services	Total
Opening balance:	**(415)**	**(415)**
(Increase)/decrease of the provisions during the period	107	107
Closing balance	**(308)**	**(308)**

Note 13. Other assets

Table 13.1. Other assets

	2021	2020
Deferred expenses	7 797	1 907
Other	3	3
Provisions for other assets	-	-
Total other assets less provisions	**7 800**	**1 910**

Note 14. Due to banks

	2021	2020
Funds received from the National Bank of Ukraine	1 189 996	859 998
Sale and repurchase agreements with other banks	-	-
Loans received, short-term	-	-
Total due to banks	**1 189 996**	**859 998**

(in UAH thousand)

Note 15. Due to customers

Table 15.1 Due to customers

	2021	2020
State organizations:	**99**	**38**
-currents accounts	99	38
-term deposits	-	-
Other legal entities:	**704 837**	**693 078**
-current accounts	508 055	686 194
-term deposits	196 782	6 884
Individuals:	**115 450**	**96 506**
-current accounts	115 251	96 308
-term deposits	199	198
Total due to customers	**820 386**	**789 622**

Table 15.2 Distribution of due to customers by type of economic activity

	2021		2020	
	amount	**%**	**amount**	**%**
Financial and insurance activities	115 816	14,12	260 168	32,95
Services (financial)	131 333	16,01	28 640	3,63
Information and telecommunications	203	0,02	40	0,01
Trade	56 471	6,88	97 477	12,34
Agriculture and fisheries	10 075	1,23	89	0,01
Warehousing and support activities in the field of transport	82 026	10,00	41 679	5,28
Extraction	193 097	23,54	159	0,02
Construction	64 748	7,89	958	0,12
Electricity supply	35 835	4,37	57 711	7,31
Consulting activities	4 774	0,58	18 684	2,37
Activities of public organizations	1 223	0,15	1 151	0,15
Manufacturing	3 986	0,49	11 986	1,52
Health care	0	0,00	3	0,00
Property transactions	1 464	0,18	16 411	2,08
Individuals, including non-residents	3 885	0,47	96 506	12,22
Non-resident investors	115 450	14,07	157 960	20,00
Total due to customers	**820 386**	**100,00**	**789 622**	**100,00**

Note 16. Debt securities issued by the bank

	2021	2020
Bonds (Series A)	22 693	-
Bonds (Series B)	2 559	
Certificates of deposit	974	-
Total	**26 226**	**-**

During the reporting period, the Bank repurchased its own debt bonds:

- Series A (term of circulation until 08.04.2026 inclusive). The number of redeemed bonds is 77,500. The interest rate on Series A bonds is set at 10.0% (ten percent) per annum in hryvnia for 1-4 percent periods.
- Series A (term of circulation until 07.04.2027 inclusive). The number of redeemed bonds is 97,500. The interest rate on Series B bonds is set at 11.0% (eleven percent) per annum in hryvnia for 1-4 percent periods.

The Bank issued Bank certificates of deposit. Quantity - 1,000 pieces, type - discount. Maturity date is March 31, 2022.

Note 17. Other raised funds

	2021	2020
Loans from international and other financial organizations	31 001	34 750
Total	**31 001**	**34 750**

Note 18. Derivative financial liabilities

	2021	2020
Liabilities under forward agreements	334	534
Liabilities under futures agreements	-	19
Liabilities under contracts under terms of SWAP	3 553	1 600
Total financial liabilities at fair value through profit or loss	**3 887**	**2 153**

Note 19. Provisions for liabilities

	Loan liabilities	Total
Opening balance	**69**	**69**
Formation and / or decrease (increase in reserve)	17	17
Closing balance	**87**	**87**

Provisions for liabilities consist of reserves for possible impairment losses on provided financial guarantees with maturity in 2022.

Note 20. Other financial liabilities

	2021	2020
Accounts payable for transactions with foreign currency	1	1
Other financial liabilities	-	-
Total	**1**	**1**

Note 21. Other liabilities

	2021	2020
Accounts payable in settlements with bank employees	11 492	9 827
Accounts payable for taxes and fees, except income tax	80	38
Accounts payable for transactions with customers	62	10
Accrued costs for telecommunications and maintenance services	73	17
Accounts payable on right-of-use assets	80	90
Accounts payable for other accrued expenses	153	113
Total	**11 940**	**10 095**

Note 22. Share capital

	Number of shares in circulation	Ordinary shares	Preferred shares	Total
Balance as at 1 January 2021	**122 000**	**122 000**		**122 000**
Contributions on shares (units, shares) of the new issue	-	-	–	-
Balance as at 31 December 2021	**122 000**	**122 000**		**122 000**

As of December 31, 2021, the authorized capital of the Bank is UAH 200 080 thousand. The authorized capital of the Bank is divided into 122,000 ordinary registered shares. The shares are fully paid. The nominal value of a simple registered share as of December 31, 2021 is UAH 1,640. Ordinary registered shares entitle the shareholder to participate in the management of the Bank, receive dividends, exercise the preemptive right to purchase additional shares, if such shares are placed by private placement, disposal of shares owned by each shareholder, receiving part of the Bank's property or its value in case of liquidation. One simple registered share gives the right to one vote to resolve each issue at the General Meeting of Shareholders, except in cases of cumulative voting. Dividends are paid to shareholders based on each share of a certain type due to them from the net profit of the reporting year and / or retained earnings in the amount established by the decision of the General Meeting of Shareholders within six months after the end of the reporting year. The Bank pays dividends exclusively in cash.

According to the shareholder's decision of December 28, 2020, retained earnings in the amount of UAH 13 665 thousand for the period 2015-2018 were paid dividends to the owners of ordinary shares of the Bank in 2021.

There were no repurchases of own shares during the reporting period.

Note 23. Revaluation reserves (components of other comprehensive income)

	2021	2020
Revaluation of debt financial instruments	**(1 674)**	**(112)**
Revaluation changes to fair value	(1 674)	(112)
Income tax related to:	**301**	**20**
change in other comprehensive income	301	20
Total revaluation reserves (other comprehensive income)	**(1 373)**	**(92)**

Note 24. Analysis of assets and liabilities by maturities

	Note	2021			2020		
		Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Assets							
Cash and cash equivalents	6	168 623	-	168 623	217 601	-	217 601
Loans and due from banks	7	108 137	-	108 137	4 241	-	4 241
Loans and due from customers	8	20 495	49 482	69 977	44 506	9 980	54 486
Investments in securities	9	1 943 079	18 938	1 962 017	1 655 681	-	1 655 681
Derivative finance assets	10	210	-	210	25	-	25
Current income tax receivables		2 856	-	2 856	4 995	-	4 995
Deferred tax assets	28	-	-	-	-	-	-
Fixed and intangible assets	11	-	2 440	2 440	-	1 892	1 892
Right-of-use assets	11	78	-	78	84	-	84
Other financial assets	12	1 533	-	1 533	535	-	535
Other assets	13	4 284	3 516	7 800	1 910	-	1 910
Total assets		**2 249 295**	**74 376**	**2 323 671**	**1 929 578**	**11 872**	**1 941 450**
Liabilities							
Due to banks	14	374 999	814 997	1 189 996	249 998	610 000	859 998
Due to customers	15	629 113	191 273	820 386	789 622	-	789 622
Debt securities issued by the bank	16	974	25 252	26 226	-	-	-
Other raised funds	17	31 001	-	31 001	34 750	-	34 750
Derivative finance liabilities	18	3 887	-	3 887	2 153	-	2 153
Current income tax liabilities	28	399	-	399	524	-	524
Deferred tax liabilities	20	1	-	1	1	-	1
Other financial liabilities	21	11 940	-	11 940	10 095	-	10 095
Other liabilities	19	87	-	87	69	-	69
Total liabilities		**1 052 401**	**1 031 522**	**2 083 923**	**1 087 212**	**610 000**	**1 697 212**

Note 25. Interest income and expense

	2021	2020
INTEREST INCOME CALCULATED AT THE EFFECTIVE INTEREST RATE		
Interest income on financial assets carried at amortized cost		
Loans and due from customers	10 680	23 529
Loans and due from banks	6 326	4 401
Correspondent accounts in other banks	25	6
Total interest income on financial assets carried at amortized cost	**17 031**	**27 936**
Interest income on financial assets carried at fair value through other comprehensive income		
Debt securities	171 323	115 612
Total interest income on financial assets carried at fair value through other comprehensive income	**171 323**	**115 612**
Total interest income calculated at the effective interest rate	**188 354**	**143 548**
INTEREST EXPENSE CALCULATED AT THE EFFECTIVE INTEREST RATE		
Interest expense on financial liabilities carried at amortized cost		
Term funds of legal entities	(4 138)	(2 745)
Funds of individuals	(665)	(416)
Term funds of other banks	(80 955)	(46 006)
Current accounts	(20 585)	(15 572)
Debt securities issued by the bank	(7 123)	-
Other funds raised	(327)	(10)
Lease liabilities	(29)	(63)
Other	-	-
Total interest expense calculated at the effective interest rate	**(113 822)**	**(64 812)**
Net interest income	**74 532**	**78 736**

Compared to the result of 2020, there was a decrease in net interest income.

Note 26. Commission income and expenses

	2021	2020
Commission income		
Settlement operations	3 347	2 978
Commissions on foreign exchange transactions	10 066	9 879
Commission income from guarantee operations	132	126
Other	256	6
Total commission income	**13 801**	**12 989**
Commission expenses		
Settlement operations	(1 669)	(1 589)
Transactions with securities	(29)	(19)
Other	(10)	(9)
Total commission expenses	**(1 708)**	**(1 617)**
Net commission income	**12 093**	**11 372**

Compared to 2020, there was an increase in net commission income.

Note 27. Administrative and other operating expenses

Table 27.1 Expenses for payments to employees

	2021	2020
Salaries and bonuses	(28 126)	(25 691)
Accrual on the salary fund	(3 830)	(3 111)
Other payments to employees	(800)	(762)
Total staff costs	**(32 756)**	**(29 564)**

Table 27.2 Depreciation costs

	2021	2020
Depreciation of fixed assets	(383)	(434)
Depreciation of software and intangible assets	(511)	(320)
Depreciation of	(940)	(1 022)
Total right-of-use assets	**(1 834)**	**(1 776)**

Table 27.3 Other administrative and operating expenses

	2021	2020
Staff remuneration costs	(876)	(44 423)
Expenses for maintenance of fixed assets and intangible assets	(2 251)	(1 849)
Operating lease costs (lease)	(290)	(216)
Payment of other taxes and mandatory payments, except income tax	(201)	(105)
Telecommunication services	(3 351)	(2 995)
Audit costs	(958)	(962)
Costs of data storage services	(859)	(796)
Costs of operating and business services	(649)	(725)
Other	(3 490)	(1 323)
Reserve	-	-
Total administrative and other operating expenses	**(12 925)**	**(53 394)**

The average number of the Bank's staff in 2021 was 24. Expenses for payments to employees and staff:

- expenses for basic and additional salaries in the amount of UAH 20 532 thousand;
- single contribution to the obligatory state insurance – UAH 3 830 thousand;
- expenses for the creation of a reserve for unused vacations – UAH 2 193 thousand;
- contributions to the non-state pension provision of employees - UAH 166 thousand;
- expenses of voluntary medical and other types of insurance for employees – UAH 856 thousand ;
- expenses for payment of remuneration to staff under contracts – UAH 613 thousand.

In 2021, remuneration was paid to members of the Supervisory Board in the amount of UAH 368 thousand. (2020: 44 283 thousand UAH), in terms of the following components: variable - 78 thousand UAH. (2020: UAH 44 052 thousand), fixed - UAH 290 thousand. (2020: UAH 231 thousand), and members of the Management Board in the amount of UAH 10 241 thousand. (2020: UAH 9 586 thousand): variable - UAH 2 353 thousand. (2020: UAH 2 042 thousand), fixed - UAH 7 888 thousand. (2020: UAH 7 544 thousand).

Note 28. Income tax expense

Table 28.1 Income tax expense

	2021	2020
Current income tax	(2 139)	239
Change in deferred income tax	(156)	(2 491)
Income tax paid on income of foreign origin at the source of payment	-	-
Total income tax expense	**(2 295)**	**(2 252)**

Table 28.2 Reconciliation of the amount of accounting profit / loss and the amount of tax profit / loss

	2021	2020
Profit before tax	12 751	12 512
Theoretical tax deductions at the appropriate tax rate	(2 295)	(2 252)
Expenses that are not included in the amount of taxable profit, but are recognized in the accounting of expenses for the purpose of calculation:	(1)	(71)
depreciation	3	4
costs for the formation of reserves	(4)	(75)
Accrued expenses	-	(1)
Income that is not subject to income tax, but is recognized in accounting:	1 950	5 938
profits from securities sales operations	1 950	5 938
Income that is subject to income tax, but is not recognized (does not belong) to the accounting profit (loss):	(1 950)	(4 049)
profits from securities sales operations	(1 950)	(4 049)
Other adjustments	(155)	673
Change in deferred income tax	156	(2 491)
Income tax expense	**(2 295)**	**(2 252)**

Note 28. Income tax expense (continued)

Table 28.3 Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2021

	Balance as at 31 December 2020	Recognized in statement of comprehensive income	Recognized in equity	Balance as at 31 December 2021
Tax impact of temporary differences that reduce (increase) the amount of taxation and deferred tax losses for future periods:				
revaluation of assets	20	-	281	301
fixed assets	60	(4)	-	56
provisions for impairment of assets	66	3	-	69
accrued expenses	3	18		21
other	(673)	(173)	-	(846)
Net deferred tax asset / (liabilities)	(524)	(156)	281	(399)
Deferred tax liability recognized	**(524)**	**(156)**	**281**	**(399)**

Table 28.4 Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at 31 December 2020

	Balance as at 31 December 2019	Recognized in statement of comprehensive income	Recognized in equity	Balance as at 31 December 2020
Tax impact of temporary differences that reduce (increase) the amount of taxation and deferred tax losses for future periods:				
revaluation of assets	208	-	(188)	20
fixed assets	64	(4)	-	60
income from securities sales operations	1 889	(1 889)	-	-
provisions for impairment of assets	(8)	74	-	66
accrued expenses	2	1		3
other	-	(673)	-	(673)
Net deferred tax asset / (liabilities)	2 155	(2 491)	(188)	(524)
Deferred tax asset recognized	**2 155**	-	-	-
Deferred tax liability recognized	**-**	**(2 491)**	**(188)**	**(524)**

Note 29. Earnings / (loss) per ordinary and preferred share

Table 29.1 Net and adjusted earnings / (loss) per ordinary and preferred share

	2021	2020
Profit / (loss) owned by shareholders - owners of ordinary shares of the bank (*UAH thousand*)	10 455	10 260
Profit / (loss) for the year (*UAH thousand*)	10 455	10 260
Average annual number of ordinary shares outstanding (thousands of shares)	122	122
Net profit / (loss) per ordinary share (UAH)	**85,70**	**84,10**
Adjusted net profit / (loss) per ordinary share, UAH	**85,70**	**84,10**

Table 29.2 Calculation of profit / (loss) attributable to shareholders - holders of ordinary and preferred shares of the bank

	2021	2020
Profit / (loss) for the year owned by the owners of the bank	10 455	10 260
Retained earnings / (loss) for the year	10 455	10 260
Retained earnings / (loss) for the year due to holders of ordinary shares depending on the terms of the shares	10 455	10 260
Profit / (loss) owned by shareholders - owners of ordinary shares of the bank	**10 455**	**10 260**

Note 30. Operating segments

Table 30.1. Revenues, expenses and results of reporting segments for 2021

	Operating segments		Total
	Treasury operations	Other	
Interest income	188 354	-	188 354
Fee and commission income	10 210	3 591	13 801
Result from transactions with financial instruments at fair value through profit or loss	(3 253)	-	(3 253)
Result from transactions with debt financial instruments at fair value through other comprehensive income	2 908	-	2 908
The result of foreign currency transactions	13 164	-	13 164
The result of the revaluation of foreign currency	(920)	-	(920)
Other operating income	4	-	4
Total income	**210 467**	**3 591**	**214 058**
Interest expenses	(113 822)	-	(113 822)
Fee and commission expenses	(29)	(1 679)	(1 708)
Net income from impairment of financial assets	(38 246)		(38 246)
Result from increase / (decrease) in reserves for liabilities	(17)		(17)
Staff costs	(32 756)		(32 756)
Depreciation and amortization costs	-	(1 834)	(1 834)
Other administrative and operating expenses	(12 049)	(876)	(12 925)
Total expenses	**(196 919)**	**(4 389)**	**(201 308)**
Income tax expenses	(2 295)		(2 295)

Table 30.2 Assets and liabilities of reporting segments for 2021

	Operating segments		Total
	Treasury operations	Other	
Segment assets	2 223 002	100 669	2 323 671
Total assets	**2 223 002**	**100 669**	**2 323 671**
Segment liabilities	2 071 497	12 426	2 083 923
Total liabilities	**2 071 497**	**12 426**	**2 083 923**

Note 30. Operating segments (continued)

Table 30.3. Revenues, expenses and results of reporting segments for 2020

	Operating segments		Total
	Treasury operations	Other	
Interest income	143 548	-	143 548
Fee and commission income	10 005	2 984	12 989
Result from transactions with financial instruments at fair value through profit or loss	(8 717)	-	(8 717)
Result from transactions with debt financial instruments at fair value through other comprehensive income	1 264	-	1 264
The result of foreign currency transactions	7 444	-	7 444
The result of the revaluation of foreign currency	14 485	-	14 485
Other operating income	181	-	181
Total income	**168 210**	**2 984**	**171 194**
Interest expenses	(64 812)	-	(64 812)
Fee and commission expenses	(19)	(1 598)	(1 617)
Net income from impairment of financial assets	(7 524)		(7 524)
Result from increase / (decrease) in reserves for liabilities	5		5
Staff costs	(29 564)		(29 564)
Depreciation and amortization costs	-	(1 776)	(1 776)
Other administrative and operating expenses	(8 900)	(44 494)	(53 394)
Total expenses	**(110 814)**	**(47 868)**	**(158 682)**
Income tax expenses	(2 252)		(2 252)

Table 30.4 Assets and liabilities of reporting segments for 2020

	Operating segments		Total
	Treasury operations	Other	
Segment assets	1 867 421	74 029	1 941 450
Total assets	**1 867 421**	**74 029**	**1 941 450**
Segment liabilities	1 686 524	10 688	1 697 212
Total liabilities	**1 686 524**	**10 688**	**1 697 212**

Note 31. Financial risk management

The Bank has developed and implemented procedures for risk management and control. The risk management process is based on the relevant regulations of the National Bank of Ukraine. The Bank's risk management process consists of prevention, identification, measurement, analysis, proposing measures, control and monitoring, reporting.

Credit risk

Credit risk management, limiting its negative impact on the bank's activities is one of the key tasks of strategic management. In accordance with the Recommendations of the Basel Committee on Banking Supervision, the Bank uses a standardized approach to credit risk assessment. The assessment is carried out in two directions: qualitative and quantitative.

In order to manage credit risk in transactions with legal entities and individuals, the Bank adheres to the following principles of credit policy:

- making investments exclusively in profitable and high-quality credit assets;
- a balanced approach to lending to corporate clients is based on the analysis of financial indicators, activities of enterprises, markets, industry trends, etc.;
- use of the principle of identification of the borrower "Know your client";
- decision-making on the loan is based on a qualitative analysis of the borrower's solvency, sources of loan repayment and prospects for business development;
- diversification of the loan portfolio taking into account industry risks, susceptibility to global trends, export orientation, market volatility.

The ratio of the sum of all requirements to the counterparty or group of related counterparties and all financial liabilities provided by the bank to the counterparty or group of related counterparties to the regulatory capital of the Bank (hereinafter H7) shall not exceed 25 percent. As of December 31, 2021, the value of the H7 standard was 20.95%.

Market risk

The Bank's risk management system is aimed at ensuring the implementation of business objectives in accordance with the Bank's development strategy and increasing its value, optimizing the ratio of potential opportunities and risks, capital size and growth rates of the Bank.

The main tools for achieving these goals are the Bank's comprehensive risk management system, which provides for the coordination of actions of all departments within a single strategy for risk management, approved by the Supervisory Board of the Bank. The formation of a comprehensive system is aimed at maximizing the concentration of risk management functions at the level of the main bank. This approach is implemented through specified procedures and regulations of the Bank, providing a set of limits and transaction rules for regional institutions.

Note 31. Financial risk management (continued)

Foreign currency risk

Table 31.1 Foreign currency risk analysis

Currency	As at 31 December 2021			As at 31 December 2020		
	Monetary assets	Monetary liabilities	Net foreign exchange position	Monetary assets	Monetary liabilities	Net foreign exchange position
USD	580 726	575 477	5 249	416 442	435 867	(19 425)
EUR	94 554	100 382	(5 829)	73 397	71 238	2 159
RUR	1 097	1 095	2	1 240	1 138	102
Total	**580 726**	**575 477**	**5 249**	**491 079**	**508 243**	**(17 164)**

The risk of financial losses and the possibility of decrease in the cost of capital resulting from changes in foreign exchange rates and prices for precious metals, unfavorable (opposite) for existing open currency positions, is an important type of risk, which arises in the course of the Bank's activities. The amount of possible financial losses depends on the size of the open currency positions and changes in relevant foreign currencies.

Basic methods and models of currency risk management are determined in the "Regulations on currency risk management at JSC "BANK AVANGARD".

The internal limits for total open foreign exchange position by types of currencies are established at the Bank. The methodology and mechanisms of foreign currency risk management are updated constantly.
The process of foreign currency risk management at the Bank provides for daily monitoring of the compliance of the maximum possible open foreign exchange positions on the basis of acceptable values of capital at risk to the established limits of open currency positions, analysis of volatility in exchange rates and the amount of the foreign currency risk under regular and stress conditions.

Parametric assessment methods based on the assumption of normal distribution of currency fluctuation disturbances (Value-at-Risk methodology, etc.) appeared to be unsuitable for predicting the foreign currency risk magnitude at the Bank. In this situation, based on the analysis of currency fluctuations, a risk magnitude was estimated for each open currency position, as well as an acceptable risk magnitude. Accordingly, the limits for open currency positions were set, that are a subject to daily control of the risk management department and an instrument of foreign currency risk exposure limitation.

Note 31. Financial risk management (continued)

Table 31.2 Change in financial result and equity as a result of possible changes in exchange rates set at the reporting date, provided that all other variables remain fixed

	2021		2020	
	Impact on profit/ (loss)	Impact on equity	Impact on profit/ (loss)	Impact on equity
USD strengthening by 25%	1 312	1 312	(4 856)	(4 856)
USD weakening by 25%	(1 312)	(1 312)	4 856	4 856
EUR strengthening by 25%	(1 457)	(1 457)	540	540
EUR weakening by 25%	1 457	1 457	(540)	(540)
RUR strengthening by 25%	-	-	25	25
RUR weakening 25%	-	-	(25)	(25)

In order to ensure the stable activity of the Bank, the formation of regulatory capital in accordance with the requirements of the National Bank of Ukraine and taking into account the recommendations on minimum capital requirements of the Basel Committee on Banking Supervision, as well as to determine the size and control of capital adequacy The Bank has implemented a model of internal control over the level of capital adequacy in all areas of its activity.

The risk of financial loss and the probability of a decrease in the cost of capital due to changes in exchange rates and prices for bank metals, unfavorable (opposite) to existing open currency positions, is an important type of risk that arises in the course of the bank's activities. The amount of possible financial losses depends on the size of open currency positions and the magnitude of changes in the exchange rates of the respective currencies. The analysis of the impact of the projected change in exchange rates on the financial result of the Bank is carried out using the approaches developed by the Bank.

The Bank does not consider other risks significant for the Bank, so the Bank does not monitor them.

Interest rate risk

Table 31.3 General analysis of interest rate risk in 2021

Item	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than a year	Interest-free	Total
2021						
Total financial assets	2 086 046	23 622	11 869	68 727	120 233	**2 310 497**
Total financial liabilities	1 711 753	21 256	193 099	25 231	120 244	**2 071 583**
Net interest rate gap at the end of December 31	**374 293**	**2 366**	**(181 230)**	**43 496**	**(11)**	**238 914**

Note 31. Financial risk management (continued)

Table 31.4 General analysis of interest rate risk in 2020

Item	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than a year	Interest-free	Total
2020						
Total financial assets	1 673 460	41 506	-	9 980	207 623	**1 932 569**
Total financial liabilities	832 638	126 638	-	644 748	82 568	**1 686 592**
Net interest rate gap at the end of December 31	**840 822**	**(85 132)**	**-**	**(634 768)**	**125 055**	**245 977**

Table 31.5 Monitoring of interest rates on financial instruments
(%)

	2021				2020			
	UAH	USD	EUR	Other	UAH	USD	EUR	Other
Assets								
Cash and cash equivalents	0	0	0	0	0	0	0	0
Loans and due from banks	8,1	1,6	0	0	5,2	0	0	0
Loans and due from customers	18,5	5	0	0	17,7	0	8	0
Investment in securities	11,4	3,5	2,2	0	12,0	4,6	2,7	0
Other assets	0	0	0	0	0	0	0	0
Liabilities								
Due to other banks	9,1	0,0	1,01	0	6,0	0,0	0	0
Due to customers	4,4	2,1	0,4	0	4,6	0,65	0,3	0
Other raised funds	10,3	0,00	0,00	0,00	0	0	0	0
Current accounts	0,0	0,00	1	0	0,0	0,00	1	0
Term deposits	4,3	0,8	0,01	0	4,6	0,67	0,01	0
Other liabilities	8,5	2,5	1,0	0	4,8	0,0	1	0
Other raised funds	0	0	0	0	0	0	0	0

(in UAH thousand)

Note 31. Financial risk management (continued)

Geographical risk

Table 31.6 Analysis of the geographical concentration of financial assets and liabilities for 2021

	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	168 623	-	-	168 623
Loans and due from banks	108 137	-	-	108 137
Loans and due from customers	69 977	-	-	69 977
Investment in securities	1 962 017	-	-	1 962 017
Derivative financial assets	210	-	-	210
Other financial assets	1 533	-	-	1 533
Total financial assets	**2 310 497**	-	-	**2 310 497**
Liabilities				
Due to other banks	1 189 996	-	-	1 189 996
Due to customers	816 194	307	3 885	820 386
Debt securities issued by the bank	26 226	-	-	26 226
Other raised funds	-	-	31 001	31 001
Derivative financial liabilities	3 887	-	-	3 887
Other financial liabiliies	87	-	-	87
Total financial liabilities	**2 036 390**	**307**	**34 886**	**2 071 583**

Assets and liabilities were classified on the basis of the counterparty's residence data.

Table 31.7 Analysis of the geographical concentration of financial assets and liabilities for 2020

	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	217 601	-	-	217 601
Loans and due from banks	4 241	-	-	4 241
Loans and due from customers	54 486	-	-	54 486
Investment in securities	1 655 681	-	-	1 655 681
Derivative financial assets	25	-	-	25
Other financial assets	535	-	-	535
Total financial assets	**1 932 569**	-	-	**1 932 569**
Liabilities				
Due to other banks	859 998	-	-	859 998
Due to customers	626 912	4 750	157 960	789 622
Debt securities issued by the bank	-	-	-	-
Other raised funds	-	-	34 750	34 750
Derivative financial liabilities	2 153	-	-	2 153
Other financial liabiliies	69	-	-	69
Total financial liabilities	**1 489 132**	**4 750**	**192 710**	**1 686 592**

Assets and liabilities were classified on the basis of the counterparty's residence data.

(in UAH thousand)

Note 31. Financial risk management (continued)

Liquidity risk

Table 31.8 Analysis of financial assets and liabilities by maturity based on expected maturities as at December 31, 2021

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	168 623	-	-	-	-	168 623
Loans and due from banks	108 137	-	-	-	-	108 137
Loans and due from customers	8 673	-	11 869	49 435	-	69 977
Investment in securities	1 919 424	23 623	-	-	18 970	1 962 017
Derivative financial assets	210	-	-	-	-	210
Other financial assets	1 212	-	-	321	-	1 533
Total financial assets	**2 206 279**	**23 623**	**11 869**	**49 756**	**18 970**	**2 310 497**
Liabilities						
Due to other banks	1 189 996	-	-	-	-	1 189 996
Due to customers	610 097	16 789	193 101	399	-	820 386
Debt securities issued by the bank	-	-	1 493	22 235	2 498	26 226
Other raised funds	31 001	-	-	-	-	31 001
Derivative financial liabilities	3 887	-	-	-	-	3 887
Other financial liabiliies	87	-	-	-	-	87
Total financial liabilities	**1 835 068**	**16 789**	**194 594**	**22 634**	**2 498**	**2 071 583**
Net liquidity gap at the end of December 31	**371 211**	**6 834**	**-182 725**	**27 122**	**16 472**	**238 914**
Cumulative liquidity gap at the end of the day on December 31	**371 211**	**378 045**	**195 320**	**222 442**	**238 914**	

Table 31.9 Analysis of financial assets and liabilities by maturity based on expected maturities as at December 31, 2020

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	217 601	-	-	-	-	217 601
Loans and due from banks	4 241	-	-	-	-	4 241
Loans and due from customers	3 000	-	41 506	9 980	-	54 486
Investment in securities	1 655 681	-	-	-	-	1 655 681
Derivative financial assets	25	-	-	-	-	25
Other financial assets	535	-	-	-	-	535
Total financial assets	**1 881 083**	**-**	**41 506**	**9 980**	**-**	**1 932 569**
Liabilities						
Due to other banks	859 998	-	-	-	-	859 998
Due to customers	52 986	118 680	7 958	609 998	-	789 622
Debt securities issued by the bank	-	-	-	34 750	-	34 750
Other raised funds	2 153	-	-	-	-	2 153
Derivative financial liabilities	69	-	-	-	-	69
Other financial liabiliies	**915 206**	**118 680**	**7 958**	**644 748**	**-**	**1 686 592**
Total financial liabilities	**965 877**	**(118 680)**	**33 548**	**(634 768)**	**-**	**245 977**
Net liquidity gap at the end of December 31	**965 877**	**847 197**	**880 745**	**245 977**	**245 977**	

Note 31. Financial risk management (continued)

The process of managing strategic, operational risks, compliance risk and reputation risk involves effective management at all stages (from risk detection to minimization and control) and is carried out using a system of appropriate parameters.

The main purpose of creating and operating a system of parameters for managing strategic, operational risks, compliance risk and reputation risk is to ensure the adoption of appropriate management decisions aimed at reducing the impact of risk on the Bank as a whole in relation to certain activities of the Bank.

Other risks

The strategic, operational, compliance and reputational risk management system includes:

- definition of basic principles of risk;
- identification, accounting and description of risks separately for each type of risk;
- risk assessment and control (monitoring) of the level of risks;
- measures to reduce (minimize) risks and eliminate the negative consequences of the implementation of risks, including the procedure and sources of funding for measures to compensate for losses;
- formation of the Bank's management structure, development of internal rules, procedures and technologies taking into account the basic principles of risk management adopted by the Bank.

Note 32. Capital management

The Bank's purpose in capital management is to ensure: compliance with capital requirements set by the National Bank of Ukraine and cover the negative effects of the crisis. In order to determine the level of capital, the Bank assesses the level of regulatory capital and capital adequacy ratios. Regulatory capital is one of the most important indicators of banks' activity, the main purpose of which is to cover the negative consequences of various risks that the Bank assumes in the course of its activities, and to ensure deposit protection, financial stability and stable operation of the Bank.

Regulatory capital structure

	As at 31 December 2021	As at 31 December 2020
Common equity		
the registered authorized capital actually paid	200 080	200 080
Reserve and other funds of the bank	11 125	10 612
Decrease in common equity:		
intangible assets less depreciation	(1 448)	(850)
capital investments in intangible assets	-	-
Common equity (tier1 capital)	209 757	209 842
Additional capital:		
reserves for standard debt	-	-
estimated current year profit	10 455	10 260
Uncollected accrued income less provisions	(276)	-
retained earnings of previous years	19 461	23 378
Additional capital (tier 2 capital)	29 640	33 638
Regulatory adjustments	(1 000)	-
Total regulatory capital	**238 397**	**243 480**
Regulatory capital adequacy ratio (N2) (not less than10%)	37,36	91,12

The data given in the table take into account the corrective postings as of 01.01.2022. The regulatory capital adequacy ratio (solvency ratio) reflects the Bank's ability to settle its liabilities arising from trade, credit or other monetary transactions in a timely manner and in full. The higher the value of the regulatory capital adequacy ratio, the greater the share of risk assumed by the Bank's owners; and vice versa: the lower the value of the indicator, the greater the risk assumed by creditors / depositors of the Bank. The regulatory capital adequacy ratio is set to prevent excessive transfer of credit risk by the bank and the risk of non-return of bank assets to creditors / depositors of the Bank.

Each year, the ALMC oversees the preparation of a capitalization plan, which is a part of the Bank's budget and which is aimed at ensuring that the Bank will comply with the minimum capital requirements. It details a projected growth of capital and assets, dividend distributions, future business expansion, losses on bad loans and projected revenues. The plan also aims to maintain capital adequacy in accordance with the regulatory requirements of the National Bank of Ukraine. Due to the Bank's effective capital management policy, in 2021 the Bank complied with capital requirements.

Note 33. Commitments and contingencies

Table 33.1. Structure of lending commitments

	As at 31 December 2021	As at 31 December 2020
Lending commitments issued	115 333	123 064
Guarantees issued	3 092	3 474
Provisions for lending commitments	(87)	(69)
Total lending commitments less provisions	**118 338**	**126 469**

Table 33.2. Structure of lending commitments by currencies

	As at 31 December 2021	As at 31 December 2020
UAH	115 333	123 064
EUR	3 005	3 405
Total	**118 338**	**126 469**

As at 31 December 2021 the Bank had no signed agreements of non-cancellable leases and cases pending in courts.

(in UAH thousand)

Note 34. Fair value of financial instruments

According to the Regulation on the accounting policies, a fair value is the amount for which an asset can be exchanged or a liability settled in a transaction between knowledgeable, willing and independent parties, namely:

- fair value of an asset is the amount to be paid for the purchase (exchange) of the asset;
- fair value of a liability is the amount required to repay the liability.

The fair value of financial assets freely traded in the market is their quoted prices in an active market. Where the active market is unavailable, or no information on current prices available c. the market, or similar items subject to valuation are unavailable, to determine the estimated fair value the Bank uses a method of valuation and assumption in respect of each class of financial- assets or financial liabilities.

As at 31 December 2021, securities carried at fair value through other comprehensive income, derivative financial assets and derivative financial liabilities are carried at fair value. In addition, the Bank considers that the value of such highly liquid assets / liabilities as cash and cash equivalents as reflected in the balance sheet as at 31 December 2021; short-term funds raised / placed can be equated to fair value.

Information on financial assets in the Bank's balance as at 31 December 2021 that are carried at fair value is set out below:

		Fair value by various valuation methods			Total carrying amount
	Date of assessment	Market quotations (level 1)	Valuation method using observable data (level 2)	Valuation method using indicators not supported by observable market data (level 3)	
Cash and cash equivalents	31.12.2021	168 623	-	-	168 623
Securities in the bank's portfolio carried at fair value through other comprehensive income	31.12.2021	1 819 403	-	-	1 819 403
Financial assets carried at fair value through profit or loss	31.12.2021	210	-	-	210
Total assets	**-**	**-**	**-**	**-**	**2 323 671**
Financial liabilities at fair value through profit or loss	31.12.2021	3 887	-	-	3 887
Total liabilities	**-**	**-**	**-**	**-**	**2 083 923**

Note 34. Fair value of financial instruments (continued)

Information on financial assets in the Bank's balance as at 31 December 2020 that are carried at fair value is set out below:

	Date of assessment	Fair value by various valuation methods			Total carrying amount
		Market quotations (level 1)	Valuation method using observable data (level 2)	Valuation method using indicators not supported by observable market data (level 3)	
Cash and cash equivalents	31.12.2020	217 601	-	-	217 601
Securities in the bank's portfolio carried at fair value through other comprehensive income	31.12.2020	1 570 670	-	-	1 570 670
Financial assets carried at fair value through profit or loss	31.12.2020	25	-	-	25
Total assets	**-**	**-**	**-**	**-**	**1 941 450**
Financial liabilities at fair value through profit or loss	31.12.2020	2 153	-	-	2 153
Total liabilities	**-**	**-**	**-**	**-**	**1 697 212**

Note 35. Presentation of financial instruments by valuation category

Table 35.1. Financial assets by valuation categories for 2021

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	-	-	168 623	168 623
Loans and due from banks:	108 137	-	-	108 137
- funds of other banks in settlements	4 092	-	-	4 092
- loans to other banks	104 045	-	-	104 045
Loans and due from customers:	69 977	-	-	69 977
- loans to legal entities	58 092	-	-	58 092
- loans to individuals	11 885	-	-	11 885
Investments in securities	142 614	1 819 403	-	1 962 017
Derivative financial assets	-	-	210	210
other financial assets:	1 533	-	-	1 533
- receivables from foreign currency transactions	321	-	-	321
- accrued income for services	1 212	-	-	1 212
Total financial assets	**322 261**	**1 819 403**	**168 833**	**2 310 497**

Table 35.2. Financial liabilities by valuation categories for 2021

	Financial liabilities that at amortized cost	Financial liabilities at fair value through profit / loss		Total
		financial liabilities that are initially recognized at fair value through profit or loss	financial liabilities held for trade	
Due to banks	1 189 996	-	-	1 189 996
Due to customers	820 386	-	-	820 386
Debt securities issued by the bank	26 226	-	-	26 226
Other funds raised	31 001	-	-	31 001
Derivative financial liabilities	-	3 887	-	3 887
Other financial liabilities	1	-	-	1
Provisions for liabilities	87	-	-	87
Total financial liabilities	**2 067 697**	**3 887**	**-**	**2 071 584**

Table 35.3. Financial assets by valuation categories for 2020

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	-	-	217 601	217 601
Loans and due from banks:	4 241	-	-	4 241
- funds of other banks in settlements	4 241	-	-	4 241
Loans and due from customers:	54 486	-	-	54 486
- loans to legal entities	44 506	-	-	44 506
- loans to individuals	9 980	-	-	9 980
Investments in securities	85 011	1 570 670	-	1 655 681
Derivative financial assets	-	-	25	25
other financial assets:	535	-	-	535
- receivables from foreign currency transactions	430	-	-	430
- accrued income for services	105	-	-	105
Total financial assets	**144 273**	**1 570 670**	**217 626**	**1 932 569**

Table 35.4. Financial liabilities by valuation categories for 2020

	Financial liabilities that at amortized cost	Financial liabilities at fair value through profit / loss		Total
		financial liabilities that are initially recognized at fair value through profit or loss	financial liabilities held for trade	
Due to banks	859 998	-	-	859 998
Due to customers	789 622	-	-	789 622
Other funds raised	34 750	-	-	34 750
Derivative financial liabilities	-	2 153	-	2 153
Other financial liabilities	69	-	-	69
Total financial liabilities	**1 684 439**	**2 153**	**-**	**1 686 592**

Note 36. Related party transactions

Table 36.1 Balances on related party transactions for 2021

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Loans and to due from customers	-	-	3 038	-
Due to customers (contractual interest rate depending on currency and product	3 073	241 944	552	403
Other funds raised	31 002	-	-	-

Table 36.2. Revenues and expenses from related party transactions for 2021

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Interest income	-	-	140	-
Interest expenses	(269)	(7 950)	(104)	(13)
Commission income	37	674	9	14
Net loss on impairment of financial assets	-	-	(47)	-
Other operating income	-	15	-	-
Administrative and other costs	-	-	(12 624)	-

***** Key management personnel members of the Supervisory Board and the Management Board of the Bank

Table 36.3. The total amount of loans granted to related parties and repaid by related parties during 2021

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
The amount of loans granted to related parties during the period	-	-	3 000	-
Total	**-**	**-**	**3 000**	**-**

Table 36.4 Balances on related party transactions for 2021

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Due to customers (contractual interest rate depending on currency and product)	157 144	280 104	2 834	272
Other funds raised	34 750	-	-	-

During 2021, the Bank carried out operations with related parties on general terms.

Note 36. Related party transactions (continued)

Table 36.5. Revenues and expenses from related party transactions for 2020

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Interest income	-	-	-	740
Interest expenses	(9)	(9 714)	(145)	(13)
Commission income	169	462	31	8
Net loss on impairment of financial assets	-	-	-	6 236
Other operating income	-	1	1	1
Administrative and other expenses	-	-	(56 523)	-

***** Key management personnel members of the Supervisory Board and the Management Board of the Bank

Table 36.6. The total amount of loans granted to related parties and repaid by related parties during 2020

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
The amount of loans repaid by related parties during the period	-	-	-	15 901
Total	**-**	**-**	**-**	**15 901**

During 2020, the Bank carried out operations with related parties on general terms.

Note 37. Subsequent events

On February 24, 2022, a full-scale invasion of the territory of Ukraine by the troops of the Russian Federation began. In connection with the military aggression of the Russian Federation against Ukraine, based on the proposal of the National Security and Defense Council of Ukraine, the President of Ukraine in accordance with the Decree of the President of Ukraine of February 24, 2022 № 64/2022 imposed martial law in Ukraine for 30 days. the same day was approved by the Verkhovna Rada of Ukraine.

The National Bank promptly made decisions and imposed temporary restrictions on the operation of the foreign exchange market of Ukraine, fixing exchange rates, restrictions on cash withdrawals and a moratorium on cross-border payments, etc. in connection with the declaration of martial law throughout Ukraine. Appropriate actions are necessary to ensure the reliable and stable functioning of the country's financial system and maximize the activities of the Armed Forces of Ukraine, as well as the smooth operation of critical infrastructure.

At its extraordinary meeting on February 24, 2022, the National Securities and Stock Market Commission (NSSMC) decided to temporarily suspend operations with all securities, as well as to conduct operations in the depository accounting system and clearing accounting systems, and to temporarily suspend operations with assets of CII and NPF.

In accordance with the Decree of the President of Ukraine of February 24, 2022 № 69/2022 in Ukraine announced a general mobilization of conscripts and reservists within 90 days from the date of entry into force of the said Decree.

The war in Ukraine has led to tragic deaths and incredible suffering. Although further prospects are completely uncertain, the economic consequences are already very serious: the number of refugees will reach millions, in addition, there are large-scale destruction of key infrastructure in Ukraine. The damage caused by the Russian army to Ukraine's infrastructure will be estimated at many billions of USD. As a result of military operations, most Ukrainian enterprises have temporarily or completely stopped their activities.

The NBU postponed making a decision on changing the discount rate, whereas in the context of large-scale armed aggression and forced introduction of administrative restrictions, market monetary instruments, including the discount rate, do not significantly affect the functioning of the monetary and foreign exchange markets. The National Bank remains committed to the inflation targeting regime.

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

Note 37. Subsequent events (continued)

On March 8, 2022, the World Bank decided to allocate USD 700 million to Ukraine as a matter of urgency to fight the aggressor. And the International Monetary Fund is preparing a decision on emergency financing of up to USD 1,4 billion, and a memorandum was signed with the EU to provide Ukraine with 1,2 billion euros. The European Bank for Reconstruction and Development has also announced a EUR 2 billion "sustainability package" for Ukrainians and countries hosting Ukrainian refugees.

Since the beginning of large-scale hostilities, Ukraine has received international financial, technical and humanitarian support totaling USD 15 billion. More than 5 billion of this money went straight to the budget.

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

- interruptions in the operation of bank branches and ATMs, significant damage or destruction of banking infrastructure in war zones;
- reduced liquidity due to the outflow of client funds, which is partially offset by NBU support through refinancing instruments;
- reduction of the loan portfolio due to the actual termination of new lending by banks (except for lending by state-owned banks to sectors and enterprises that are critically important under martial law);
- a sharp (at least 50%) decrease in banks 'operating income (due to reduced demand for services from customers, introduced" credit holidays•, restrictions on currency transactions, etc.), which may result in their operating unprofitability in the medium term;
- inability of some borrowers to service loans, deterioration of payment discipline due to the termination of many enterprises, loss of sources of income by individuals (in particular, refugees), forced change of place of residence of millions of Ukrainian citizens;
- decrease in the amount of capital of banks due to shortfall in income, material losses and loss of part of the loan portfolio.

The unpredictability of scenarios for further deployment of military operations does not allow us to accurately assess how much of customers will be able to return to normal loan servicing and in what time horizon. However, even in an optimistic scenario, losses for banks will be significant.

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

Given the situation, the Bank's management conducts daily operational monitoring of activities and ensures rapid response to current events and changes in the situation. Also, assessing possible scenarios and based on the specifics of assets, the Bank's management estimates the possible losses as lower than the industry average and those that will not affect the Bank's ability to continue as a going concern.

The Bank plans to continue to comply with the requirements of the National Bank of Ukraine regarding the established values of economic standards, the amount of authorized and regulatory capital.

There were no other events that may be material to users of the Bank's financial statements after the reporting date. In particular, it did not happen:

- business combination;
- termination, or decision to terminate activities;
- significant acquisition of assets;
- significant changes in exchange rates or the value of the Bank's assets;
- making court decisions in favor of the plaintiffs, which could lead to significant financial obligations of the Bank.

April 6, 2022

Chairperson of the Board /S. Korchynska /

Chief Accountant /N. Derkachenko/

AC Crowe Ukraine
33 Obolonska Naberezhna
Kyiv 04210, Ukraine
Tel. +380 44 3913003
office@crowe-ac.com.ua
www.crowe.com.ua

FREE TRANSLATION FROM THE UKRAINIAN ORIGINAL

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of BANK AVANGARD, JSC

Report on the Audit of the Financial Statements

Opinion

We have conducted audit of financial statements of BANK AVANGARD (the Bank), which comprise The statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including the summary of significant accounting policies.

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

Basis for Opinion

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 Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

We draw attention to Note 37 in the financial statements, which discloses that on February 24, 2022, Russian troops began invading Ukraine from Russia, Belarus, Crimea, and eastern Ukraine. Although the future prospects are uncertain, the economic consequences are already very serious: the number of refugees exceeds 4 million, in addition, there are large-scale destruction of key infrastructure in Ukraine. The damage the Russian army has inflicted on Ukraine's infrastructure is at least USD 200 billion, and the total damage has exceeded USD 500 billion. As a result of hostilities, half of Ukrainian enterprises and economic entities have temporarily or completely ceased their activities. As noted in Note 37, these events or conditions, together with other issues set out in Note 37, indicate that there is significant uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on this issue has not been modified.

During the audit of the financial statements, we concluded that the use of the principle of going concern by management in the preparation of financial statements is appropriate. Our assessment of management's assumptions about the Bank's ability to continue to apply the going concern basis in accounting included:

- assessment of the negative consequences of continued military aggression on the banking sector of Ukraine;
- analysis of the scenarios of the situation identified by the Bank's management and possible actions in response to the leadership of Ukraine, the world community and the Bank's management;
- analysis of possible changes in the basic indicators of the Bank's activities in terms of asset impairment, falling volumes and margins of banking operations;
- analysis of regulatory capital adequacy and liquidity, ways to maintain them at a sufficient level.

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

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

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 opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	***How the Key Audit Matter Was Considered in Our Audit***
Provision for loan impairment (Note 8) The estimation of the provision for loan impairment is a key area of professional judgment of the Bank's management. Identifying of impairment and determination of amount of expected reimbursement include some assumptions and analysis of different factors, including the financial position of borrower, expected future cash flow and fair value of collaterals. The use of various assumptions may be result of various estimates of the provision for loan impairment. Taking into account the materiality of customer credit balances and a certain level of subjectivity of judgments, we have determined the valuation of the provision for impairment as the key matter of the audit.	Our audit procedures included assessment of methodology used by the Bank to determine the signs of depreciation and calculating the provision for impairment, testing input data and assumption analysis. For provisions for loan impairment with detected individual signs of impairment, we have audited assumptions underlying the basis for detecting impairment and its quantitative assessment, including the analysis of financial indicators of borrowers, forecasts for future cash flows and collateral assessment. For provisions of loan impairment, calculated on collective basis, which have not been demonstrate individual signs of impairment, we analysed Bank's models and audited relevance and accuracy input data used in these models We have found that the key assumptions used by management to estimate the amount of allowances for impairment of loans to customers are supported by available evidence.

Other information

Management is responsible for the other information. The other information comprises the Report of management bodies «Management report», which includes Corporate management report. The other information which we expected to receive after the date of this Auditor`s report is Annual Information on the Issuer of Securities.

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. We have nothing to report in this regard.

When we read the Annual Information on the Issuer of Securities, and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and The NSSMC.

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

Management is responsible for preparation and fair presentation of these financial statements in accordance with the Law of Ukraine On Accounting and International Financial Reporting Standards 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.

Preparing the financial statements, management is responsible for assessment Bank's ability to continue as a going concern, disclosure, if applicable, issues regarding going concern and apply going concern as a basis for accounting, except, if the management plans to liquidate the Bank or discontinue the activity or have not any other real alternatives for it.

The Supervisory Board is 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 whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to release the auditor's report in which we express our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee than an audit conducted 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 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 Company'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 Company 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 provide the Supervisory Board with information about the planned scope and timing of the audit and significant audit results, including any significant deficiencies in internal control measures identified by us during the audit.

We also acknowledge to the Supervisory Board that we have complied with the relevant ethical requirements for independence, and inform them of any relationship and other matters that may reasonably be considered to affect our independence and, where applicable, of appropriate safeguards.

From the matters communicated with Supervisory Board, 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 the requirements of other laws and regulations

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

In accordance with the Law of Ukraine "On Auditing Financial Statements and Auditing Activities", auditors must provide additional information and assurances.

Basic information about the audit firm

Full name	AC «CROWE UKRAINE»
Location	04210, 33 Obolonska Naberezhna, Kyiv,
Information on inclusion in the Register of audit firms and auditors	Registration number in the Register of Auditors and Audit Entities 3681 An auditing entity that has the right to conduct a statutory audit of financial statements An auditing entity that has the right to conduct a statutory audit of the financial statements of public interest entities
Name of the body that appointed the auditing entity to conduct the statutory audit	Supervisory Board of the Bank
Date of appointment of the audit entity	29.09.2020 (Minute of the meeting of the Supervisory Board №24)
Duration of the audit task	2nd year

The audit report is consistent with the supplementary report for the audit committee.

We did not provide services prohibited by law.

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

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

ISAs require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The term "sufficient certainty" allows for some risk of significant monetary inconsistencies that may remain undetected; it is also assumed that the auditor cannot provide an absolute guarantee of the accuracy and completeness of the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The terms of the ISAs require that the audit be planned in such a way as to ensure that errors and inconsistencies that could materially affect the financial statements are sufficiently probable. However, because the auditor will not audit all transactions performed by the entity during the year, the audit may not provide complete assurance that errors and inconsistencies, including fraud, will be identified.

The partner in the audit engagement that results in this independent auditor's report is Vitaliy Havrysh.

For and on behalf of AC CROWE UKRAINE

Partner /
Audit Director

Vitaliy Havrysh

Registered Auditor #100594

Kyiv, Ukraine

April 6, 2022