JOINT STOCK COMPANY COMMERCIAL BANK “PRIVATBANK”

ANNUAL REPORT

31 December 2021

Translation from Ukrainian original

CONTENTS

I. MANAGEMENT REPORT

Management report of JSC "PrivatBank"

The nature of the business

Joint Stock Company Commercial Bank PrivatBank ("PJSC PrivatBank" or "the Bank") is a universal bank with a focus on the retail segment and a selective presence in the corporate segment.

The Bank has operated under a full banking licence issued by the National Bank of Ukraine (the "NBU") since March 1992. As at 31 December 2021, the Bank has 20 branches and 1,475 operating outlets in Ukraine and a branch in Cyprus.

External environment

2021 was a year of adaptation of Ukraine's economy and banking system to new working conditions. Starting from the second quarter of 2021, the economy grew gradually, though not as fast as Ukrainian and Western analysts had predicted at the beginning of the year. Thus, according to the latest estimates of the NBU, in 2021 the economy grew by 3% due to stable consumer demand, increased investment, and record yields. At the same time, economic recovery was hampered by several factors, including high prices and deficit of energy and raw material, the impact low 2020 harvests, slower recovery in the services sector, than expected, limited production capacity.

Consumer inflation in December 2021 was 10% yoy (from 6,1% yoy in January). Actual consumer inflation in December 2021 was higher than the forecast published in the October Inflation Report. Nevertheless, in 2021 the official exchange rate of the hryvnia to the US dollar decreased by 4% (from 28.2746 UAH to USD as at January 1, 2021, to 27.2782 UAH to USD as at December 31, 2021).

In 2021, the NBU Board decided to increase the discount rate from 6%, set in 2020, gradually to 9% in December 2021 and to 10% in January 2022. The decision was conditioned by the need to eliminate additional pro-inflation risks and improve inflation expectations, which should have contributed to a gradual reduction in inflation to 5%. Taking into account Russia's military attack on February 24, 2022, the regulator's policy will be changed.

In 2021, the Ukrainian banking sector showed historically the highest profits, primarily due to rapid growth in operating income and reduced loan provision costs. At the same time, the pace of corporate hryvnia lending is the highest in the last decade. Retail loans also grew rapidly and steadily, mortgages - almost twice faster compared with consumer loans. State-owned banks were leaders in hryvnia lending in 2021. Together with the implementation of the non-performing loans reduction strategy, this significantly reduced the share of non-performing loans.

Sufficient liquidity of banks was maintained by increasing customer deposits, corporate funds grew faster than individuals. Further de-dollarization was caused by higher growth rates of hryvnia deposits compared to foreign currency ones. Given the steady growth of deposits, banks almost did not raise interest rates on them, which was a prerequisite for a high level of interest margins and interest income of banks.

The growth of net interest income of the banking system in 2021 accelerated due to active lending and lower than last year's rates on short-term deposits of individuals. Interest income grew rapidly and interest expenses remained moderate.

Further growth of non-cash transactions, including card transactions, ensured an increase in banks' commission income. The growth rate of net commission income was the highest in the second quarter, after which it began to slow down. One of the factors in the decline in the growth rate of banks' commissions was the reduction interchange commissions by the leading payment systems, as well as the reduction of acquiring commissions by banks.

The further development of the bank is closely related to the risks of the external environment in which it operates. The most significant risk for the Ukrainian economy currently is the military conflict with Russia, which has been going on since February 24, 2022. The war has a negative impact on all activities in Ukraine and it is currently not possible to reliably assess the economic, social, financial, and other consequences.

Management monitors the state of development of the current situation in the external environment and takes measures, if necessary, to minimize any negative consequences as much as possible. Further negative developments and macroeconomic conditions may have a negative impact on the Bank's financial position and performance such that they cannot yet be determined.

Management and organizational structure

Structure of corporate governance

To ensure a balance between management and control the Bank implements a transparent and clear corporate governance structure of the Bank.

The Bank's governing bodies are:

- Shareholder or Supreme governance Body
  The Bank protects the rights and legitimate interests of the shareholder;

- The Bank's Supervisory Board
  The Supervisory Board provides strategic management of the Bank's activities, control over the activities of the Bank's Management Board, and protection of the shareholder's rights. Effective management involves the reporting system of the Supervisory Board to the Supreme governance Body;

- The Board of the Bank
  The Board manages the day-to-day operations of the Bank and reports to the Supervisory Board and the Supreme governance Body.

Shareholder (Supreme governance Body)

The only shareholder of the Bank, which holds 100% of the Bank's shares, is the State represented by the Cabinet of Ministers of Ukraine (location: 01008 Kyiv, Hrushevskoho Street, 12/2)

On 21 December 2016, the State, represented by the Ministry of Finance of Ukraine, acquired the ownership of 100% of the Bank's shares in accordance with Article 41.1 of the Law of Ukraine "On the System of Guaranteeing Deposits of Physical Persons" and pursuant to the Resolution of the Cabinet of Ministers of Ukraine "Certain Issues on Ensuring the Stability of the Financial System", dated December 18, 2016, No. 961." From April 30, 2019, the owner of the Bank is the State represented by the Cabinet of Ministers.

The state exercises its rights as the owner of the Bank, and the Bank's governing bodies act in accordance with the best world practices of corporate governance, in particular, the Principles of the Organization for Economic Development and Cooperation on Corporate Governance for State-Owned Enterprises (OECD Guidelines on Corporate Governance of State-Owned Enterprises). corporate governance principles for banks by the Basel Committee on Banking Supervision, the Guidelines on Internal Governance by the European Banking Authority, which apply to the extent that does not contradict the imperative norms of the current legislation of Ukraine.

During 2021, the Bank did not have any operations to buy/sell shares of the Bank.

All operations with the Shareholder are carried out under arm's length terms. Bank's decisions about operations with a Shareholder are based on their economic expediency.

The Bank promotes the implementation and protects the rights and legitimate interests of the shareholder, stipulated by the Charter, the Regulations on the General Meeting, and the current legislation of Ukraine.

The Supreme governance Body manages the corporate rights of the State.

The Supreme governance Body does not participate in the day-to-day management of the Bank.

The Supreme governance Body determines the main (strategic) directions of the Bank's activity and approves reports on their implementation.

The rights, duties, and responsibilities of the Supreme governance Body are determined by the current legislation of Ukraine and the Bank's Charter.

The Supreme governance Body has the right to receive any information on the financial and economic activity of the Bank necessary for the exercise of its powers, taking into account the provisions of the Law of Ukraine "On Banks and Banking" regarding banking secrecy.

The decision-making powers that fall within the exclusive competence of the Supreme governance Body cannot be delegated to other governing bodies of the Bank.

The Supervisory Board

The Bank's Supervisory Board is a collegial governing body of the Bank, which, within its competence, ensures the strategic management of the Bank, as well as monitors and regulates the activities of the Management Board in order to implement the Bank's Development Strategy. The Bank's Supervisory Board, acting in the interests of the Bank in accordance with the Law of Ukraine "On Banks and Banking", protects the rights of depositors, creditors, and the state as a shareholder.

The competence, structure, procedure, rights, responsibilities, and responsibilities of the Supervisory Board are determined by the current legislation of Ukraine, the Charter, and the Regulations on the Supervisory Board of the Bank.

The Chairman of the Bank's Supervisory Board heads and organizes the work of the Supervisory Board and is responsible for its effective work. The Chairman of the Supervisory Board ensures a clear division of responsibilities between the members of the Supervisory Board and efficient exchange of information between them.

Members of the Supervisory Board perform their duties in good faith, honestly, and solely in the interests of the Bank, undertake not to disclose banking secrecy, confidential information that they have become aware of in the performance of their functions as a member of the Supervisory Board, and do not use it to their advantage or in the interests of third parties.

For the purpose of effective overall management and control of the Bank's financial and business activities, as well as the proper performance by the Supervisory Board of its responsibilities, the members of the Supervisory Board shall have appropriate professional qualifications, and qualifications, education, experience, and business reputation. Additional requirements for members of the Supervisory Board shall be established by the current legislation of Ukraine.

Verification of the professional and qualification compliance of the members of the Supervisory Board, compliance with the requirements of Ukrainian legislation, and bank legal requirements regarding business reputation and professional suitability is carried out in each case, when it is necessary, in accordance with the requirements of the legislation of Ukraine.

The main functions of the Supervisory Board include:

- approval of the Bank's strategy, main action plans, risk management strategies and policies, approval of the annual budget, business plans of the Bank, and control over their implementation;
- ensuring a transparent procedure for nomination and election of members of the Management Board, approval of the terms of contracts concluded with the Chairman and members of the Management Board, determination of the amount of their remuneration, define the forms of control over the activity of the Management Board;
- control over the financial and economic activity of the Bank;
- determination of the procedure and plans of the internal audit and control over its activity;
- ensuring the functioning of the Bank's internal control system and control over its effectiveness, in particular control over the effectiveness of the risk management system and compliance control;
- control over the effectiveness of the Bank's management;
- control over the prevention, detection, and resolution of conflicts of interest in the Bank and facilitating their settlement;
- other functions defined by the current legislation of Ukraine, the Statute and the Regulations on the Supervisory Board of the Bank.

The Supervisory Board monitors the activities of the Management Board, and the divisions that are directly subordinate to the Supervisory Board, and ensures the protection of the shareholder's rights.

The procedure for convening and holding meetings of the Supervisory Board is determined by the Bank's Charter and the Regulations on the Supervisory Board.

The Supervisory Board annually evaluates the effectiveness of its own activities as a whole, its committees, and each member of the Supervisory Board. The results of the evaluation of the activities of the Supervisory Board, its members, and the committees of the Supervisory Board, that has carried out by the Supervisory Board or with the involvement of independent experts, are presented by the Chairman of the Supervisory Board at a meeting of the Supervisory Board for discussion and approval. The results of the evaluation are presented in the form of an evaluation report on the activities of the Supervisory Board and a plan of measures to improve the activities of the Supervisory Board.

The Supervisory Board is responsible for:

- security and financial sustainability of the Bank;
- compliance of the Bank's activities with the laws, standards of professional associations, the effect of which extends to the Bank;
- implementation of the Bank's development strategy in accordance with the main activities defined by the Supreme governance Body and the Bank's business development plan;
- ensuring effective organization of corporate governance;
- functioning and control of the effectiveness of the internal control system, risk management system, and compliance of the Bank;
- appointment of the Chairman and members of the Management Board, as well as the heads of the Risk Management, Compliance, and Internal Audit divisions.

The Supervisory Board consists of nine members, of which six are independent and three are State representatives.

At the end of the year, the Supervisory Board reports to the Supreme governance Body on its activities.

Committees of the Supervisory Board

The Supervisory Board may set up temporary and permanent Steering Committee committees that assist the Supervisory Board in the exercise of its powers through prior examination and consideration of the most important issues that fall within the competence of the Supervisory Board.

The standing committees of the Supervisory Board are:

- Audit Committee;
- Risk Committee;
- Committee on Corporate Governance, Remuneration, and Appointments;
- Committee on Technology, Data, and Innovation;
- Strategy and Transformation Committee.

The procedure for the formation and activities of the Supervisory Board committees, the requirements for their members, and the list of issues to be considered by the Supervisory Board committees defined by the Bank's Charter, the Regulations on the Supervisory Board, and the Regulations on the relevant committees of the Bank's Supervisory Board.

The Management Board

The Management Board is the executive body of the Bank which organizes and manages the Bank's current activities and shall be accountable to the Supreme governance Body and the Supervisory Board and shall ensure the implementation of their resolutions.

The Management Board is responsible for all matters in connection with the management of current operations of the bank, except for matters referred to the exclusive competence of the Supreme governance Body and the Supervisory Board. The Management Board acts on behalf of the Bank within the law, the Bank's Charter, and the Regulations on the Management Board.

The Chairman of the Management Board manages the Bank's Management Board and manages its work in accordance with the powers determined by the current legislation of Ukraine, the Bank's Charter, the Regulations on the Management Board of the Bank, and other internal documents of the Bank.

The Board ensures that the internal control units are independent by not interfering with their work processes.

The Management Board, in the manner and within the terms set by the Supervisory Board, shall submit to it a report on its activities.

The Chairman and members of the Management Board are responsible for the Bank's activities within its authority.

Verification of the professional and qualification compliance of the members of the Management Board, compliance with the requirements of Ukrainian legislation, and bank legal requirements regarding business reputation and professional suitability is carried out in each case, when it is necessary, in accordance with the requirements of the legislation of Ukraine.

In order to ensure the efficient operation of the Board, the following committees are established:

- Budget Committee,

- Compliance and Financial Security Committee,
- Assets and Liabilities Management Committee,
- Transformational Committee
- Operational Risk and Information Security Committee,
- Credit Committee,
- Marketing and PR Committee,
- Project Committee (liquidated in early 2022),
- Products and Tariffs Committee,
- Tender Committee,
- Technology Committee,
- Committee on Management of Non-performing Assets.

The Board may establish other committees based on the size of the assets, the features of the Bank's activities, the nature and extent of banking and other financial services, the Bank's risk profile, the systemic importance of the Bank, and the activities of the Banking Group that includes the Bank.

The competence, structure, procedure, rights, duties, and responsibilities of committees are determined by the Regulations on the relevant committee, which are approved by the Bank's Management Board.

During 2021, the Supervisory Board approved several changes to the organizational structure of the Bank, according to which the Management Board was reduced from seven positions to six, namely:

- Chairman of the Board,
- Deputy Chairman of the Board (Finance),
- Deputy Chairman of the Board (Operations),
- Deputy Chairman of the Board (Business development),
- Deputy Chairman of the Board (Risk management), until 01.09.2021 - Member of the Board (Risk management),
- Deputy Chairman of the Board (Reorganization and problem assets) since 01.09.2021.

The positions of Deputy Chairman of the Board (Bad Assets Management) and Member of the Board (Network issues and problem debts) were abolished on 01.09.2021, and a new position in the Board was introduced - Deputy Chairman of the Board (Reorganization and problem assets).

Corporate secretary

The Corporate Secretary shall ensure the functioning of the Supervisory Board, together with the Corporate Secretary's office, as well as the Bank's structural unit, which may be established to provide technical support to the Supervisory Board's activities, its individual members and the Corporate Secretary.

The Corporate Secretary is an official of the Bank and may not be a member of any governing body of the Bank. The Corporate Secretary reports to the Supervisory Board at least once a quarter about his work.

The legal status, the procedure for election, and activities of the Corporate Secretary are determined by the Bank's Charter, the Bank's Supervisory Board Regulation, and the Corporate Secretary Regulation. The Corporate Secretary provides informational and organizational support to the activities of the Supervisory Board, as well as the exchange of information between the Supervisory Board and other management and control bodies of the Bank and its Supreme governance Body.

Audit

The Bank has a permanent internal audit department, which carries out an independent assessment of the effectiveness of the first and second lines of defense and an overall assessment of the effectiveness of the Bank's internal control system.

The Internal Audit Division submits to the Supervisory Board of the Bank and reports to it. The Supervisory Board monitors and verifies the effectiveness of the Internal Audit Service at the Bank.

The Internal Audit Department performs the following functions:

- inspects and evaluates the processes that ensure the activities of the bank, including those that carry potential risk and the implementation of which is ensured by involving legal entities and individuals on a contractual basis (outsourcing);

- checks the availability, evaluates the effectiveness and adequacy of risk management, internal control systems, bank management processes, compliance of these systems and processes with the types and volumes of operations performed by the bank, including prevention of the using banking system for money laundering / terrorist financing;
- checks the process of capital adequacy, liquidity assessing, the safety of assets, taking into account the risks of the bank;
- checks the correctness and accuracy of accounting, information, financial and other reporting prepared by the bank, their completeness, and timeliness, including reporting to the National Bank, public authorities, and other bodies, which within their competence supervise the activities of the bank;
- carries out an independent assessment of the internal control system implemented by the bank's management;
- independently assesses the reliability, efficiency, and integrity of information systems and processes of the bank;
- checks the financial and economic activities of the bank;
- assesses the effectiveness and adequacy of the bank's recovery plan;
- evaluates the activities of risk management and compliance risk units, committees established by the bank, and the quality of risk reports provided to the Supervisory Board and Management Board of the bank;
- detects and checks cases of abuse of power by bank officials, as well as conflicts of interest in the bank;
- other functions provided by the legislation of Ukraine.

The Internal Audit Division, based on the results of the inspections, prepares and submits to the Supervisory Board the reports and proposals for the elimination of the revealed violations.

To verify and confirm the authenticity of annual financial statements, consolidated financial statements, and other information on financial and economic activities, the Bank annually engages an independent auditing company that is not linked to property interests with the Bank or its shareholders, which has a corresponding license and is included in the Register of Audit Firms, which are conducted following the Law of Ukraine "On Audit", in the part of auditors who are entitled to carry out statutory audits of companies of public interest.

Changes in organizational structure

In 2021, the organizational structure of the bank continued to improve in line with the approved Bank Development Strategy: changes took place in the regional network (Macro-regional departments were created, fully centralized support functions at the Head Office level); there were changes in the structure of the Head Office (some new divisions were created, the internal structures of individual divisions were changed).

Business model

The Bank provides universal service to a wide range of clients, being the leader of the Ukrainian market in the retail segment, actively promoting services for small and medium-sized businesses, and selectively working in the corporate sector. The base of the Bank's resource is the funds of individuals in the national currency, with a significant share of current accounts. The strategic goal of the Bank is to build a high-quality loan portfolio of retail loans and SME loans. The Bank has a powerful transaction platform Privat24, which allows to efficiently service customer account transactions in all segments and leads to a high level of commission income. Along with online services, the Bank has a wide network of branches, ATMs, and self-service terminals that allow serving clients throughout the country (excluding temporarily occupied territories).

Goals of management and strategies for their achievement

Improving the quality of customer service processes, with mandatory compliance with legal requirements, developing lending while maintaining a high-quality loan portfolio, improving and developing banking products/services, and optimization of infrastructure have been and remain priority areas in the Bank's activities.

All these principles are the basis of the updated Development Strategy of the Bank until 2024 (hereinafter the Strategy 2024), which was approved by the decision of the Cabinet of Ministers № 931-p of 11.08.2021.

The Strategy 2024 was developed taking into account the history of the bank and its existing business model, as well as the strategic principles of reforming the public banking sector updated by the Cabinet of Ministers in 2020. The strategy takes into account the current and projected macroeconomic conditions of the bank, the development of the banking market of Ukraine, the historical customer base of the bank, further development of corporate governance and culture of the bank, expanding public access to financial services; development and implementation of customer protection principles, etc.

The updated Strategy 2024 envisages the achievement of the following strategic goals:

1. Creating a strong competitive bank:

   - Strengthened public perception due to enhanced service offering to Retail and SME client base;
   - Focused, leading Retail bank in Ukraine will foster economic growth and anti-fraud measures;
   - Long term profitability, employment security and an overall stable banking environment;
   - Implementation of Target Operating Model using efficient, cost effective best practices;
   - Strength realized through organizational transformation and digitalization of processes.

2. Ensure dividend strength and financial stability:

   - Focus core business strength and lean operating model – grow as real leading Retailer;
   - Good Bank's net income increases bases on robust and diversified lending;
   - Dividend growth driven by core business contributing.

3. Transform into viable investment opportunity.

Thus, the priority of the strategy is to ensure the bank's stability, strengthen its position for years to come, including maintaining strong market positions in key segments of the customer base, high profitability, and dividend payments, and, of course, preparing the bank for privatization.

The objectives of the strategy have already begun to be implemented, continuing the bank's transformation processes. In particular, today the bank has successfully implemented a completely new model of corporate governance, decision-making process, and very powerful risk management. At the same time, the bank remains innovative and is always ready to surprise the customer with new digital services that he likes.

The Bank pays considerable attention to research and development, stimulating the development of innovation in the organization. The Bank's efforts in this area are aimed at developing new products and increasing the availability of services for customers.

Thus, in 2021 the Bank:

- continued to develop and improve the technology of money transfer, in particular, was one of the first to make transfers by phone number, including to cards of other banks. This service is already used by several million customers.
- improved services for legal entities, in particular, launched a cloud registrar of settlement transactions in online and ground acquiring; introduced the cloud digital office of the seller Dealer24 to activate partner programs for the sale of vehicles for business, agricultural machinery, equipment, road, and construction machinery, etc .; launched the mobile application "Terminal" in the Google Play Market, which turns the smartphone of the seller running Android into a full-fledged POS-terminal for accepting payments for goods and services; introduced a completely new payment service based on NFC-stickers (labels), which allows you to accept payment for goods and services using ApplePay / GooglePay without the need to have a POS-terminal
- expanded the methods of payment, in particular, actively developed a chatbot in Telegram, for which received an award - 1st place in the nomination "Best Financial Chatbot" in the prestigious PaySpace Magazine Awards 2021; has integrated the service Payment by parts into Application Programming Interface (API) Liqpay, so that the purchase of goods on credit is now available when paying online.
- continued to work on the creation of services for customer transactions independently and remotely - without the participation of bank employees. This includes setting up the process of remote customer identification, which is simplified through integration with a single state services portal DIIA, and the ability to issue cards without physically visiting the branch by customers.

The Bank is also actively improving payment security by launching and maintaining new standards (3DS 2.0) and technologies (Crawler) both independently and in close cooperation with VISA and MasterCard payment systems.

The Bank also continues to develop its network of ATMs and terminals, updating the devices themselves, and their software and adding new service features.

Ecological and social aspects of activity

First of all, the Bank's social position is its status as an employer in the Ukrainian labor market. The Bank provides its employees with competitive employment conditions, provides a full social package and additional benefits in the form of preferential lending for cars, provides advice on legal issues, ensuring the safety of employees and their family members.

The Bank is also a responsible corporate citizen. The financial institution supports clients with disabilities by adapting branches and making them comfortable to serve such clients. By increasing the availability of premises and offices, the Bank is significantly ahead of the schedule established by the Resolution of the Board of the National Bank of Ukraine on December 22, 2018, № 149. As of December 31, 2021, 73% of branches in regional centers and cities with a population of over 300 thousand people and 65% of branches in smaller towns of Ukraine have passed an expert assessment of compliance with accessibility requirements in accordance with DBN B2.2-40:2018. In addition, the Bank employs people with disabilities: the share of employed people with disabilities is about 4% of the total number of the Bank's employees.

PrivatBank is improving the financial literacy of its customers. The Bank has educational programs for school children (JuniorBank). PrivatBank senior managers conduct business seminars for entrepreneurs and share their experiences. Educational videos with financial consumer advice are transmitted on the plasma screens in the branches.

The charity activity of the Bank includes several programs. The Bank is the founder of the Charitable Foundation "Helping is Easy", which has been operating since 2011. All funds accumulated by the Fund from the Bank's clients are used for their intended purpose, and the Bank fully finances its administrative expenses. Among the programs supported by the Fund during 2021 were:

- Breathe! Together Against Coronavirus;
- For the life - targeted assistance to seriously ill children;
- Assistance to the army and the wounded in the anti-terrorist operation;
- Assistance to orphanages;
- Assistance to homeless animals;
- Emergency, targeted fundraising.

At the same time, the Bank provides its channels for the Fund's activities: Privat24, ATMs, terminals, and cash desks. In particular, within the target program "Breathe! Together Against Coronavirus", which was launched in March 2020, the Bank provided hospitals with equipment to overcome the effects of COVID-19 during 2020-2021: 34 expert-class ventilators, oxygen concentrators, X-ray equipment, pulse oximeters, bedside patient monitors and so on. At the end of the year, the Foundation and Mastercard held an annual "Ordinary Miracle" campaign to congratulate the seriously ill children who spend their holidays in hospitals on New Year's Eve, as well as to raise funds for the purchase of necessary equipment for medical institutions.

There is also a charity program for employees "Helping Hand", aimed at helping employees in treatment or emergencies. Employees have the opportunity to raise funds for their colleagues, or if necessary for themselves, through one-time or regular contributions, and the Bank provides additional funds equal to the amount of employee contributions.

Since the beginning of the COVID-19 pandemic, the Bank has made every effort to protect employees and customers. Thus, front-office workers are provided with protective masks, gloves, antiseptics, branches, and offices that are regularly disinfected. The bank organized vaccinations for employees. Educational activities are held regularly. For example, Kateryna Bulavinova, an infectious disease specialist, spoke at the all-bank online conference to answer questions about vaccination.

Special programs and support for employees and society have been organized by the Bank since the beginning of the war in Ukraine. These programs include customer support through tariff reductions and the introduction of credit holidays, as well as financial assistance and psychological support for employees, and various charity programs.

Resources, risks, and relationships

Resources

The keys in the Bank's activity are financial, labor, and technological resources.

The sources of financial resources for the Bank are:

A) Capital, consisting of share capital and reserve funds. Taking into account the losses incurred in past years due to the former beneficial owners transactions, the bank has accumulated a deficit, which is covered by contributions to the share capital during the year 2017.

B) Clients' funds, of which at the end of 2021 more than 50% were current highly diversified accounts, mainly individual accounts. Due to the low concentration of the client base, the Bank has stable current liabilities, which provide a low cost of borrowed resources compared with competitors.

B) Funds of the interbank market and refinancing of the NBU. Bank does not rely on this type of resources in its liquidity management policy, using them only in exceptional cases and in limited quantities.

The Bank's management policy is aimed at efficient management of all types of resources, improving Bank's financial performance and increasing the value of its assets. Consequently, an important element of corporate governance is the regular development, review, and approval of the Strategy, as well as the identification of the priorities of each business activity and the Bank as a whole.

As part of the management system, the Bank uses budget management and planning as well as a system for monitoring the implementation of plans and evaluating the Bank's performance.

The Bank's internal normative documents establish qualitative and quantitative indicators of activity in business areas, which allow assessing the activities of various divisions of the Bank.

The most valuable resource of the Bank is its staff, the Bank's successful work, further development, and implementation of the Strategy depend on staff. As of January 1, 2022, the Bank employs more than 20,5 thousand employees, with monthly recruitment of over 250 candidates. Bank has been recognized as the best employer in Ukraine among young people and students for 6 years running.

The Code of Conduct (Ethics) has been approved by the Bank for the purpose of a corporate culture establishing, defining the ethics of team relations, respecting employees to clients, each other to management, and business. Following the Code of Conduct (Ethics) in the sphere of human resources management and respect for human rights, the Bank:

- Appreciates its employees, and creates conditions under which everyone can fully realize their professional potential.
- Involves its team and promotes the best employees on an active and consistent basis, regardless of age, gender, religion, beliefs, or nationality, and rewards them for success in their work.
- Respect human dignity and identity and believe in the importance of an atmosphere of trust and cooperation.
- Creates conditions for open and timely communication, healthy working microclimate, observance of safety, and provides an opportunity for individual growth and self-affirmation of employees.
- Interested in the proper observance of labor laws.

Recognizing that investing in skilled staff is the basis of long-term success, the Bank cares about raising the skills of employees, their motivation, and social security. The Bank increases the professional level of employees. The Bank pays constant attention to the improvement and strengthening of the corporate culture, workers' health care, and the safety of their working conditions. The Bank continues to operate a voluntary health insurance program for employees and their families.

At the same time, technological resources are key to the Bank's activities. In this area, on the one hand, the Bank develops customer service through the automation of a significant part of business processes, builds a comprehensive system of sellers training, develops technologies for business support; on the other hand, develops its organizational structure, which will allow it to implement the changes and manage the Bank more efficiently. In addition, the Bank supports the stability of its IT system, develops its target architecture, implements projects to develop and support critical systems

Privat24, IT systems, and processing, development of non-cash and contactless payments, biometrics, improvement of the network and approaches to customer service, improving the quality of services - all these are the main directions of development of technological resources of the Bank.

Organization of risk management and internal control

The risk management function within the Bank is carried out in respect of financial risks as well as non-financial risks (operational, legal, compliance risks, and reputation risks). Financial risks comprise market risk (including currency risk), credit risk, interest rate risk, and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits and monitor them to avoid exceedance.

In order to effectively manage risks, the Bank has established and operates a risk management system that provides for the distribution of rights, duties, and responsibilities among management bodies, structural units of the Bank, separation of the processes of identifying and assessing risks and assessing the efficiency of risk management system from the process of risk acceptance.

The bodies of risk management system in the Bank include:

- Supervisory Board;
- Audit Committee of the Supervisory Board;
- Risk Committee of the Supervisory Board;
- Management Board;
- Operational Risk Management and Information Security Committee;
- Credit Committee;
- Asset and Liability Management Committee;
- Non-performing Assets Committee;
- Internal Audit;
- Risk Management Function;
- Compliance;
- Capital Markets Department;
- Asset, Liability, and Investment Analysis Department;
- Other support divisions (Back and Middle Office);
- Business divisions that directly accept risks.

The Bank's significant risks and management approaches (Mitigation and Potential opportunities Plan) are as follows.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by defaulting on a contracted liability. Credit risk arises from the Bank's credit and other transactions with counterparties that generate financial assets.

The Bank's credit policy defines the general principles for implementing the credit process and credit risk management, establishes a general approach to the acceptance of credit risks, principles and standards of credit activity, defines the authorities and responsibilities of the Bank governance bodies, employees and structural subdivisions at each stage of the credit process provides for the comprehensive approach to credit risk management.

Credit risk management is carried out based on the regular analysis of the capacity of borrowers and potential borrowers to fulfill their obligations on repaying loan principal and paying interest, the regular analysis of loan portfolio qualifies to monitor the rate of credit risk by changing lending limits as necessary, by obtaining collateral, making its examination and appraisal at established frequency, and by applying other instruments of credit risk mitigation.

The main information on credit risk rate is systematically updated and provided for analysis in the form of loan portfolio status reports.

To limit the risks to which the Bank is exposed as a result of its lending transactions, the Bank has a system of decision-making authority for lending transactions.

The Credit Committee decides on the active operations of the Bank within the limits of authority set by the Management Board of the Bank. The Credit Committee approves limits on transactions with counterparty banks, purchase of securities, supervises significant credit projects, approves methods, instructions, procedures, forms, models, and other regulatory or procedural documents on the identification, measurement, monitoring, control, reporting, and mitigation of credit risks at all organizational levels. The Credit Committee approves the classification of credit transactions by risk groups, reviews, corrects, and approves the credit risk assessment in line with regulatory requirements and the estimated amount of loan losses in compliance with IFRS (loans and advances to clients, loan commitments, and other financial assets).

The Bank IT systems allow the management to monitor loan portfolio behavior in real-time. The Bank regularly monitors the risk of each loan. To do this, it performs (i) review of the borrower's financial condition, and (ii) assessment of the adequacy of the loan collateral. The borrower's financial condition is regularly reviewed, and the borrower's internal credit rating may be revised based on the results of such analysis. This analysis is based on data on the receipt of funds on the client's account, the latest financial statements, and other commercial information of the borrower, which he provided to the Bank or which the Bank otherwise received.

The Bank performs regular monitoring of the market value of the collateral to assess its sufficiency for loan coverage. Assessment of collateral is performed by independent appraisers, certified by the Bank, or qualified as internal appraisers. The regularity of these assessments depends on the type of collateral.

The Bank maintains client credit history records. This allows the Bank to control the credit risk rate by targeting borrowers, who have a good credit history.

Problem assets are managed following the approved Strategy and Operational Plan for Problem Assets, which sets targets for reducing the level and volume of non-performing assets on a gross basis and fewer reserves in accordance with the requirements of Resolution №97.

All functions, responsibilities, powers to manage problem assets are clearly divided between departments.

For the purpose of prompt decision-making, the Management Board of the Bank established a Committee on Non-Assets Management. All decisions are made following the limits of authority set by the Supervisory Board of the Bank

The Bank determines measures to settle distressed assets based on the calculation of the net present value of expected cash flows that provide economic benefits higher than the costs that may be incurred in managing distressed assets.

The Bank writes off debts at the expense of the formed reserve following the internal Regulations on debt write-offs and requirements of regulatory legal acts of Ukraine.

The Bank outsources the functions of settling bad debts, which are not economically feasible to deal with internal procedures, and organizes the sale of debt on assets, in respect of which the Bank is not economically feasible.

The Bank's Supervisory Board, the Bank's Management Board, and the Non-performing Assets Management Committee regularly monitor and control the implementation of the NPA Strategy and the effectiveness of problem-based asset management processes.

The Bank conducts its business with related parties on commercial terms. Each loan request from a related party is subject to the same credit approval procedures that apply to any loan application from a non-related party.

Market risk. Market risk is a probability of occurrence of losses or additional expenses or a shortfall in the planned income as a result of unfavorable movements in foreign exchange rates, interest rates, and cost of financial instruments (market quotes, indexes, etc.). The strategic objective of the Bank's risk management policy is to minimize and prevent possible losses that can arise in case the market conditions change.

Currency risk. Currency risk is the risk that the value of financial instruments owned by the Bank will fluctuate due to changes in foreign exchange rates. The Bank's major currency positions are in Ukrainian hryvnia, U.S. dollars, and Euros. The Bank's policy of open currency positions is restricted under Ukrainian law which sets regulatory limits.

Interest rate risk. Interest rate risk is the probability of incurring losses or additional expenses, or loss of planned income due to adverse changes in interest rates. Interest rate risk affects the economic value of the Bank's capital and the Bank's net interest income.

The strategic tasks of the Bank policy in the area of interest rate risk management are to minimize and prevent possible losses that may occur in the event of changes in interest rates. The Bank accrues interest risk at interest rates on interest rates and payments that are active as a result of fixed-rate loans for a period and for a period that differs from the amount and timing of the fixed interest rate.

The Bank conducts interest rate stress testing to determine the conditions under which the Bank is exposed to the risk of loss, as well as to determine the extent of these losses and the impact on the Bank's interest income. Stress testing is performed by analyzing the sensitivity of net interest income to changes in interest rates, based on the assumption that rates increase or decrease by a certain number of percentage points.

Liquidity risk. Liquidity risk is a probability of losses or additional expenses or a shortfall in the planned revenues as a result of the Bank's inability to finance the growth of its assets and/or fulfill its obligations in due time.

Strategic tasks of the Bank policy in the area of liquidity risk management are liquidity indicators keeping at a level higher than the regulatory level, minimization of liquidity risk by keeping of sufficient amount of high-quality liquid assets as a possible source of pledge for a case of stressing situations implementation, limits of borrowed funds concentration by the formation of diversifying resources base, etc.

The Bank strives to support a stable form of financing, develop sources of funds, and in the first place, funds of individuals and legal entities.

Liquidity risk control is implemented through the compliance with regulatory ratios of short-term liquidity and LCR ratio, and limits and requirements for liquidity gaps, the volume of high-quality liquid assets, concentrations of funding sources.

To manage liquidity in times of crisis, a Crisis Financing Plan for liquidity crises has been developed, which contains a list of possible causes of the crisis, signs of crisis, as well as a list of measures to localize and eliminate crisis phenomena. The plan establishes those responsible for certain activities of the service and the procedure for their interaction. The Bank also conducts liquidity stress testing for scenarios that cover possible adverse conditions

Compliance risk is the probability of losses / sanctions, additional losses or loss of planned income, or loss of reputation due to non-compliance with the law, regulations, market standards, fair competition rules, corporate ethics, conflicts of interest, and internal conflicts of interest. bank documents.

The strategic objectives of the Bank's compliance risk policy are to ensure the functioning of the risk management system by timely detection, measurement, monitoring, control, reporting, and providing recommendations for compliance risk mitigation; creation of a compliance risk management system at the stage of a negative trend, as well as a system of a rapid and adequate response, which aims to prevent compliance risk from reaching critical levels for the bank (minimizing compliance risk).

The Bank uses valuation in three areas (according to goodwill):

1) Institutional compliance:

- non-compliance with regulatory requirements on corporate governance;
- shortcomings in the organization of the internal structure and decision-making process;
- violation of the principles of corporate / social responsibility of the bank.

2) Operational compliance:

- violations in the Bank's products and processes;
- shortcomings in compliance with the requirements of the procedures for combating money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction;
- violation of the requirements for timeliness / reliability of reporting;
- improper disclosure of information with limited access;
- criminal and fraudulent acts related to the violation of internal procedures;
- shortcomings of problem asset management processes.

3) Compliance with professional behavior:

- non-compliance with the principles of professional conduct (ethics) by managers and staff of the bank;
- conflict of interest;
- violation of labor relations requirements.

Reputation risk is the probability of incurring losses or additional losses or non-compliance with planned revenues due to unfavorable perception of the bank by customers, counterparties, shareholders, and supervisory and control bodies.

The strategic objectives of the Bank's reputation risk management policy are to implement an effective risk management system by assessing, monitoring, and controlling reputation risk; preventing reputation risk, and minimization of its consequences.

The Bank performs a quantitative and qualitative assessment of the impact of goodwill risk on the Bank's activities, using internal and external factors. Reputation risk is assessed following the Compliance Risk Management Policy and the Bank's Compliance Risk Management Regulations.

Operational risk. Operational risk is the probability of incurring losses or additional costs, or loss of planned income due to deficiencies or errors in the organization of internal processes, intentional or unintentional employees of the bank or other persons who operated the bank's information systems, or due to external factors. Operational risk includes legal risk but should exclude reputational risk and strategic risk.

The Bank applies a balanced approach to operational risk management, which aims to: build a culture of operational risk management and internal control, minimize the Bank's losses from operational risk, optimize and improve the Bank's processes and products, minimize the impact of operational risk on stable and sustainable development.

The Bank has the following tools and methods for assessing and managing operational risk: a database of internal, and external operational risk events, key risk indicators (KRI), self-assessment of operational risk, scenario analysis, analysis of audit results performed by internal audit and external auditor, analysis of significant operational risk events, analysis and assessment of new product risks and significant changes in the Bank's activities, outsourcing risk analysis.
To ensure the complexity and efficiency of operational, legal, and information risk management processes, implementation and functioning of internal control and information security management systems, risk management arising in relations with non-banking institutions and outsourcers, the Operational Risk Management and Information Security Committee was established

Division of functions between the Bank's governing bodies ensures an effective system of management and internal control.

The main areas of internal control in the Bank include:

- control over the achievement of the Bank's objectives;
- control over ensuring the efficiency of financial and economic activities of the Bank in carrying out banking and other operations;
- control over the effectiveness of asset and liability management;
- control over the preservation of the Bank's assets;
- control over the effectiveness of the risk management system;
- control over compliance with the requirements of legislation, regulations of the National Bank of Ukraine, internal documents of the Bank;
- control over the accuracy, completeness, objectivity, and timeliness of accounting, preparation, and publication of financial and other reports for external and internal users;
- management of information flows, including the receipt and provision of information, ensuring the functioning of the information security management system.

The three-line internal control system of the Bank is based on the segregation of responsibilities between the Bank's divisions, except for the functions that are within the exclusive competence of the Bank's Supervisory Board / Management Board / Committees by the legislation of the National Bank of Ukraine:

1. the first line of defense - business units and support units that initiate, carry out or record operations, accept risks in the course of their activities and are responsible for the day-to-day management of these risks, carry out control procedures;
2. the second line of defense - blocks of Risk management and Compliance Divisions, which assure the Bank's management that the first line of defense controls and risk management measures have been developed and are functioning properly;
3. the third line of defense - Internal Audit Division, which performs an independent assessment of the effectiveness of the first and second lines of defense and an overall assessment of the effectiveness of the internal control system.

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

- Supervisory Board;
- Risk Management Committee of Supervisory Board;
- Audit Committee of Supervisory Board;
- Internal Audit;
- Management Board;
- Committee of Management Board on Operational Risk and Information Security;
- Committee of Management Board on Compliance and Financial Security;
- Operational Risk Management Department;
- Block of risk management units;
- Compliance;
- Accounting service;
- Other structural units of the Bank;
- Process owners;
- Heads and employees of departments.

The internal control system covers all stages of the Bank's operations and includes:

- preliminary control carried out before the actual operations of the bank are provided in terms of recruitment, attraction, and placement of funds, material resources, choice of suppliers of goods, works, and services, development and introduction of new products;
- current control, which is carried out during operations of the Bank, and includes control over observance of laws and acts of internal regulation of the Bank regarding the implementation of these operations, the order of decision-making on their implementation, control over the complete, timely and accurate reflection of transactions in accounting and reporting, control for the preservation of the Bank's property;
- further control carried out after the operations of the Bank are to verify the validity and correctness of transactions, the compliance of the documents with the established forms and requirements for their execution, the compliance of the duties performed by the employees with their official instructions, the identification of the causes of violations and shortcomings and the determination of measures for their elimination, control over the performance of the planned performance indicators, defined in the strategy of the Bank development, its business plans and budget, verification of completeness and reliability of the tribute financial, statistical, administrative, tax and other reports, the existing Bank.

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

- control of the Bank's executives for compliance with the legislation of Ukraine and acts of internal regulation of the Bank;
- division of responsibilities during the Bank's activities;
- control over the risk management system;
- control over information security and information exchange;
- introduction of internal control procedures;
- monitoring of the internal control system;
- introduction of internal audit procedures.

Corporate Ethics Code

All the Bank's management bodies operate based on the Code of Conduct of Ethics.

Corporate behavior in the Bank is based on the principles of legality, transparency, competence, and observance of the rights and interests of clients, business partners, shareholders, and employees, and is aimed at improving the Bank's efficiency, and supporting its financial stability and profitability.

The Code defines:

- Values and principles of behavior (ethics);
- Prohibitions on illegal activities;
- The Bank's relations with customers, employees, suppliers, and competitors;
- Business Ethics;
- Conflict of interest;
- Preservation of the Bank's property;
- Gifts and rewards;
- Liability for non-compliance with the Code, etc.

The corporate values of the Bank are:

Relations with Clients. The Bank's goal is to reach the highest standards of client services and protect the interests of each client.
The Bank develops new transactions, products, and directions confessing principles of reasonable conservatism. The Bank is oriented to transparency in relations with clients and providing them with reliable information on its services..
The Bank is interested in the establishment of long-term relations with its clients.

Relations with Shareholders: In its relations with shareholders the Bank has intentions to conduct transparent policy and strictly observe these principles of Corporate Management: to respect and implement the rights of a shareholder, to protect his/her interest steadily, the interests of depositors, other clients, and creditors of the Bank, to disclose information on time, to implement active communication policy, to increase visibility and accessibility of information by way of reporting and accounting quality improvement.

Relations with Personnel: The Bank's Personnel is a key to its successful activity. The Bank actively and consistently attracts to its ranks and distinguishes the best employees regardless of age, race, gender, faith, beliefs, or nationality and rewards them for their achievements. The Bank values its employees, creates conditions under which everyone working in it can fully realize their abilities, and cares about its veterans. The Bank respects human dignity and personality and believes in the importance of an environment of trust and cooperation.

Relations with Governmental Agencies: The Bank keeps a principle of neutrality related to business groups, political parties, and associations, and performs its activity in the interests of investors, clients, and shareholders. Employees of the Bank should deal with state bodies and authorities without personal interest, without resorting to unlawful means of influencing the adoption of administrative decisions.

Business Ethics

Bank managers are keen to develop a sense of belonging to the Bank to achieve high results, creating a team of like-minded people, aimed at achieving the set strategic goals.

The supervisor should pay heed to the requests of the Bank's employees.

Leaders are obliged to respect the personal dignity of the subordinate.

Employees of the Bank should take measures to immediately eliminate the causes and conditions that complicate or impede the normal performance of work and immediately notify such cases to the administration of the Bank and or the unit Compliance, as well as not to carry out actions that cause damage to the Bank, its property and finance.

Conflict of interests

The management of the conflict of interest in the Bank is regulated by the Policy of Prevention of Conflicts of Interest, the Anti-Corruption Program, the Code of Conduct (Ethics), the Charter of the Bank, as well as the rules of the current legislation of Ukraine.

The Bank's managers should fully disclose their conflicts of interest and should not use their own position for personal purposes at the expense of the Bank. Conflicts of interest are the existing and potential conflicts between personal interests and the official or professional responsibilities of a person, which may affect the conscientious performance of his / her powers, objectivity, and impartiality of decision making. Related party transactions which are included in agreements with third parties, except those that are conducted on the basis of the non-interest principle on a standard basis, are regarded as conflicts of interest. The Bank has internal regulations governing the processes of identifying related parties of the Bank, conducting transactions with them, as well as the procedure of such operations control.

If a person is in a position in a collegial body and a conflict of interest (committees, the Board, etc.) arises during the performance of official duties, he / she informs the Chief Compliance Manager and:

- in case of subordination to the Management Board (committees of the Management Board, etc.) - informs the Chairman of the Management Board,
- in case of subordination to the Supervisory Board (committees of the Supervisory Board, etc.) - informs the Chairman of the Supervisory Board accordingly.

Members of the Bank's Supervisory Board shall avoid conflicts of interest and shall refuse to participate in decision-making if the conflict of interest does not allow them to fully perform their duties in the interests of the Bank, its depositors, and shareholders. All employees are responsible for identifying and managing conflicts of interest on an ongoing basis and are obliged to avoid, where possible, situations that lead to conflicts of interest.

All employees / managers are obliged to disclose all possible conflicts of interest, including those in which they were inadvertently involved as a result of business or personal relationships with customers, suppliers, business partners, or competitors of the Bank.

To prevent and identify potential and actual conflicts of interest, the Bank has introduced an annual declaration of the Bank's employees on the existence of circumstances that may cause potential or actual conflicts of interest and certain groups of employees - on the presence or absence of conflicts of interest related to the purchase of goods and services by the Bank.

Anti-corruption program

Bank employees, officials, managers in their internal activities, as well as in legal relationships with business partners, state authorities, and local governments are guided by the principle of "zero tolerance" to any corruption and will take all measures provided by law to prevent, detect and combat corruption and related actions (practices).

The Bank approved the Anti-corruption Program, which is based on: the principles of the Convention against Corruption (ratified by Ukraine - Law N251-V (251-16) from October 18, 2006), by Article 62 of the Law of Ukraine "On Prevention of Corruption".

The Anti-corruption program is a set of rules, standards, and procedures for identifying, counteracting, and preventing corruption in the Bank's activities. The program sets standards and requirements that are not lower than those in Law of Ukraine "On Prevention of Corruption" and the Standard Anti-Corruption Program, approved by the decision of the National Agency for the Prevention of Corruption. The current version of the Anti-Corruption Program was approved by the decision of the Bank's Management Board on May 13, 2020 (Minutes № 27). The text of the Anti-Corruption Program is in constant open access for employees, officials of the Bank, as well as for its business partners, is posted on the official website of the Bank and internal information resources.

In accordance with the Anti-corruption Program, Bank appointed the Commissioner to implement the Program, organized the channels for sending communications about Anti-corruption program violations, corruption or corruption-related offenses, other violations of the Law of Ukraine "On Prevention of Corruption" or the Anti-Corruption Program, namely: a link (button) on the Bank's internal information resources to the dedicated line "Stop Corruption", the telephone number for the messages, the address of the special e-mail (on the Bank's official website and internal information resources).

During 2021, 51 reports of possible corruption or corruption-related offenses and other violations of the Anti-Corruption Program were received through existing communication channels. According to the results of official inspections, the information on 2 reports was partially confirmed. Violators were responded to. Ways to eliminate the causes and consequences of identified violations have been identified, and measures have been taken to prevent such actions in the future.

The received appeals, which are not related to corruption offenses and are not within the competence of the Commissioner for the implementation of the anti-corruption program, were sent to the relevant structural units for further consideration.

In 2021, an internal assessment of corruption risks in the activities of JSC CB "PrivatBank" was conducted. According to the results, a corresponding conclusion was made. Analysis of the results of corruption risk assessment in the activities of JSC CB "PrivatBank" allowed to draw a conclusion about low corruption risks in most areas of the Bank.

During 2021, 455 conclusions were prepared on the absence of corruption risks in the provision of charitable assistance by the Bank. 23,797 anti-corruption inspections of the Bank's business partners were conducted. These measures minimize the risks of the Bank's business relations with counterparties that may be involved in corrupt activities.

Results of activity and further development

2021 was a year of resumption and growth of the Bank's activity after 2020 - a year of testing the stability of Ukraine's banking system in the new realities of the pandemic.

In 2021, the Bank continued to hold leading positions in the banking market of Ukraine, and in 2021, compared to 2020, the Bank increased its profit by UAH 10.7 billion (44%). Business development, cost control, prudent credit policy, and effective process management both within the bank and in customer service, provided the most significant among other Ukrainian banks growth in profits in 2021 and a 45% share in the overall banking system.

In August 2021, the rating agency Fitch Ratings changed the outlook on PrivatBank's rating to "positive" from "stable" due to the agency's revision of the outlook on Ukraine's sovereign ratings from "stable" to "positive". Fitch notes that the rating decision was made taking into account the resilience of Ukraine's macroeconomic indicators to the shock caused by the coronavirus and expectations of economic recovery. This forecast was also confirmed by the Agency in the individual assessment of the Bank's rating in October 2021.

In December 2021, the rating agency Moodys also reaffirmed Privatbank's ratings, which were upgraded in December 2020.

In March 2022, as result of the military conflict with Russia, both rating agencies revised Ukraine's sovereign rating and, accordingly, the Bank's ratings. Thus, the long-term default rating of the issuer in foreign currency is assessed at the level of "CCC-" (formerly "B"), the rating of long-term deposits in national and foreign currencies Caa2 (formerly B3). The agencies note that the rating decision reflects Russia's military invasion, which has led to increased risks to foreign and public finances, and macro-financial and political stability in Ukraine.

In 2021 The Bank continues the quantitative and qualitative development of services, develops Privat24 technologies, IT systems and processing, development of cashless and contactless payments, biometrics, which led to the growth of the active cards number, operations in digital channels, TCO and ATM. In parallel, the Bank invests in the development of offline business, in the efficiency of branches.

According to the results of 2021, the Bank has a sufficient level of capital, taking into account the increased requirements of the National Bank of Ukraine, which came into force in 2021, primarily 50% operational risk coverage, 100% risk coverage for foreign currency government bonds and more. The Bank's regulatory capital at the end of 2021 is UAH 40.8 billion, and the regulatory capital adequacy ratio is 18.33% (at a rate of> 10%). All regulatory indicators of the Bank's liquidity significantly exceed the norms set by the NBU. Thus, as of December 31, 2021, the liquidity coverage ratio was 258.85% for all currencies and 200.36% in foreign currency with the NBU setting the value of the standard at least 100%.

In 2022, the Bank planned to continue on the trajectory set in 2021, including continuing the transformation process under the updated Strategy 2024, namely adapting and improving traditional products to customer needs, as well as optimizing the bank's internal processes, corporate governance systems, risk management and compliance, cost management, and more.

The Bank's task for the next year had to become to ensure the stability of its business model and maintain its leading position in the Ukrainian banking market.

The Bank's main priorities before Russia's military attack were:

- Introduce a value proposition consistent with products and services to ensure optimally balanced customer satisfaction;
- Further increase the quality of the loan portfolio based on a balanced credit policy, taking into account the conditions of the external environment;
- Maintaining an optimal and sufficient level of resource base;
- Further transformation of internal business processes that will increase business efficiency and quality of customer service;
- Further optimization and restoration of the regional branch network and banking infrastructure;
- Continuation of development and implementation of quality and innovative products and services;
- Improve Privat24 UI / UX to increase digital payments.

The military conflict is ongoing and the Bank's management is working to maintain operational stability, staff security, business continuity, and other ongoing external challenges during the war. The Bank's plans will be revised after the martial law ends.

Key indicators of profitability

For 12 months of 2021, the Bank received UAH 35.1 billion in net profit, which increased by UAH 10.7 billion or 44% compared to 2020. The Bank's net profit remains the maximum result of the Ukrainian banking sector - 45% of the total result of the banking system.

The main factors for the growth of the bank's financial results are:

- Cost of financing decrease within the general trend of interest rates lowering for individuals in 2020 – early 2021 in the banking market of Ukraine.
- Increase of commissions based on growth of the customer transactions volumes, as well as development of non-cash payments in the country.
- Keeping operating costs under control.
- Lower provision for credit risks after the enlarged provision related to COVID-19 in 2020.

Also, part of the Bank's profit is the result of macroeconomic factors and changes in provisions for legal risks.

Thus, changes in the world economy and the economy of Ukraine led to a decrease in the fair value of domestic government bonds, which were obtained as a contribution to the statutory capital of the bank during nationalization. Due to such a revaluation in 2021, the Bank received UAH 7.7 billion of losses after a significant positive revaluation in 2020. At the same time, these losses are partially offset by the favorable impact on the bank's results of exchange rate fluctuations, which in 2021 led to UAH 1.0 billion additional income. The reversal of provision, created in 2020 for legal risks, also had a positive impact on the Bank's financial results 2021.

Thus, the Bank demonstrates stable growth rates and financial results. Business development, cost control, prudent credit policy, and effective process management both within the bank and in customer service, provided Bank with the most significant among other Ukrainian banks profits growth in 2021 and leadership on the banking system of Ukraine.

II. FINANCIAL STATEMENTS

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Independent auditor's report

To the Shareholder and Supervisory Board of Joint Stock Company Commercial Bank "PrivatBank"

Report on the audit of the separate financial statements

Qualified Opinion

We have audited the separate financial statements of Joint Stock Company Commercial Bank "PrivatBank" (the Bank), which are presented on pages 1 to 87 of Section II of the Bank's Annual Report 2021 and comprise the separate statement of financial position as at 31 December 2021, and the separate statement of profit or loss, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Basis for Qualified Opinion

The Bank did not complete an analysis of whether criteria for derecognition were met in respect of certain amounts due to customers that were subject to conversion into equity (Note 13). Such amounts due to customers, and a corresponding receivable of UAH 8,144 million (net of impairment allowance of UAH 734 million) as at 31 December 2021 and 2020 (Note 12), were recognised in the separate statement of financial position of the Bank. This receivable does not meet the definition of an asset in accordance with IFRS. As a result, the Bank's other assets were overstated by UAH 8,144 million as at 31 December 2021 and 2020. The effect of not completing the analysis of the criteria for derecognition of the amounts due to customers on the Bank's liabilities and equity as at 31 December 2021 and 2020 as well as interest expense and foreign exchange gains and losses for 2021 and 2020 has not been determined. Our audit opinion on the separate financial statements for 2020 was modified accordingly.

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 separate financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including

International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to Note 3 and Note 31 to the separate financial statements, which describe the current situation in Ukraine in connection with the military aggression of the Russian Federation against Ukraine which started on 24 February 2022 and currently continues with unpredictable consequences. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 31, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our qualified audit opinion on the accompanying separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit loss on loans and advances to customers	
Assessment of expected credit losses in accordance with IFRS 9 "Financial instruments" is complex and inherently subjective process that requires application of judgements and making assumptions by Management.	Our audit procedures included assessment of the methodology, techniques and assumptions used by the Bank to incorporate historical and macroeconomic information in the assessment of expected credit losses on loans and advances to customers.

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The use of different techniques and assumptions made on how to incorporate historical and forecast macroeconomic information, in the assessments of such indicators as historical losses, recoveries, macroeconomic indicators, could produce significantly different estimates of expected credit loss on loans and advances to customers. Additionally, for individually assessed defaulted loans, the Bank applied judgments to estimate fair value of collateral and expected cash flows under a range of scenarios. Due to significance of the balance of loans and advances to customers to the separate financial statements and judgemental nature of expected credit loss assessment, this matter was one of the key audit matters. Notes 3, 4, 8 and 23 to the separate financial statements provide information in respect of expected credit loss on loans and advances to customers and the Bank's risk management policies.	We obtained an understanding, evaluated the design, and tested operating effectiveness of the controls related to the expected credit loss calculations and input data. We also tested information used in calculation of expected credit loss including but not limited to historical losses and recoveries, macroeconomic indicators and other inputs. For individually assessed loans secured with collateral, we assessed the methodology of collateral valuation, assumptions used to estimate its fair value and expected cash flows under a range of scenarios. We analysed disclosures on expected credit losses on loans and advances to customers included in the notes to the separate financial statements.

Valuation of investment securities at fair value through profit or loss

Valuation of investment securities at fair value through profit or loss with embedded derivative feature was a key area of judgments for the Bank's management due to complexity of the model, subjectivity of assumptions and valuation techniques.	Our audit procedures included obtaining understanding of the process of fair value assessments, key sources of inputs and assumptions.

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Key audit matter	How our audit addressed the key audit matter
Also, the carrying value of UAH 93,096 million is significant to the separate financial statements. Therefore, we considered this matter to be a key audit matter. Information and judgments on the investment securities at fair value through profit or loss is presented in the Notes 4, 9 and 27 to the separate financial statements.	We evaluated, with the assistance of our internal valuation specialists, the model, assumptions and judgements applied by the Bank's management, including those applied in the determination of period for volatility of exchange rates and other factors in modelling long-term forecast of exchange rates. Also, we tested inputs applied by Bank's management in development of their assumptions, such as historical exchange rates, terms of financial instruments and discount rates.

Other information included in the Bank's Annual report and the Bank's Annual Information of the Issuer of Securities for 2021

Other information consists of the Bank's Annual report (including the Bank's Management report) and other information included in the Bank's Annual Information of the Issuer of Securities (including the Corporate Governance report), but does not include separate financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, the effect of not completing the analysis of the criteria for derecognition of the amounts due to customers on the Bank's liabilities and equity as at 31 December 2021 and 2020 as well as interest expense and foreign exchange gains and losses for 2021 and 2020 has not been determined. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of management and the Supervisory Board for the separate financial statements

Building a better working world

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Supervisory Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board and the Audit Committee we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Report in accordance with requirements of Section IV paragraph 11 "Instruction on preparation and publication of financial statements of banks in Ukraine" as approved by Resolution of the Board of National Bank of Ukraine No. 373 dated 24 October 2011 (as amended)

In accordance with Section IV paragraph 11 of "Instruction on preparation and publication of financial statements of banks in Ukraine" as approved by Resolution of the Board of National Bank of Ukraine No. 373 dated 24 October 2011 (as amended) ("Instruction No. 373"), we report the following:

In our opinion, based on the work undertaken in the course of our audit of the Bank's separate financial statements, the Bank' s Management report is prepared in accordance with requirements of Instruction No. 373 and information given is consistent with the separate financial statements.

We are required to report if we have identified material misstatements in the Bank's Management report in light of the knowledge and understanding obtained during the course of the audit of the Bank's separate financial statements. We have nothing to report in this regard.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing and in accordance with "Requirements to the information related to the audit and review of capital market participants and organized commodity markets under supervision of the National Securities and Stock Market Commission (the NSSMC)" approved by the NSSMC Decision №555 dated 25 July 2021 (hereinafter – "NSSMC Requirements"):

Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the Bank's separate financial statements on 12 January 2017 by the Supervisory Board. Our appointment has been renewed annually by the Supervisory Board. The period of total uninterrupted engagement for performing the statutory audit of the Bank is six years.

Consistency of the independent auditor's report with the additional report to the Audit Committee and the Supervisory Board

We confirm that our independent auditor's report is consistent with the additional report to the Audit Committee and the Supervisory Board of the Bank, which we issued on 21 June 2022 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 6 paragraph 4 of Law No. 2258-VIII were provided. In addition, there are no non-audit services which were provided by us to the Bank or its controlled entities and which have not been disclosed in the separate financial statements or the Bank's Management report.

Reporting under the NSSMC requirements

- Full legal name of the Bank, information on the ultimate controlling party as well as ownership structure are disclosed in Notes 1 to the Bank's separate financial statements.

- As at 31 December 2021, the Bank had the following subsidiaries (all located in Ukraine): «Estate Garant» LLC, Kobos PrJSC, «A-Lex» LLC, «Ukrainian Bureau of Credit Histories» LLC, «LT Group» LLC and Charitable Foundation «It's easy to help».

- As at 31 December 2021, the Bank was not a controller or a participant of a non-banking group.

- The Bank is a public interest entity according to the requirements of Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

- Prudential ratios, established by the NSSMC for relevant activity of professional participants in capital markets and organized commodity markets, are not applicable to banks that perform professional activities at stock markets in accordance with "Regulation on prudential ratios for professional activities at stock markets and risk management requirements" (as amended) approved by the NSSMC Decision No.1597 dated 1 October 2015.

- The Bank's Audit Committee has not performed an examination of the Bank's financial and economic activities for the financial year 2021.

- Limited liability company "Ernst & Young Audit Services" (ERDPOU: 33306921, web-site: www.ey.com/ua) have audited the Bank's financial statements according to agreement No. GFS-2021-00192 dated 2 August 2021. The audit was conducted in the period from 2 August 2021 to 28 July 2022.

The partner in charge of the audit resulting in this independent auditor's report is Studynska Y.S.

For and on behalf Ernst & Young Audit Services LLC

Svistich O.M.
General Director

Registration number in the Register of auditors and audit firms: 101250

Studynska Y.S.
Partner

Registration number in the Register of auditors and audit firms: 101256

Simak M.V.
Auditor

Registration number in the Register of auditors and audit firms: 101255

Kyiv, Ukraine

28 July 2022

Ernst & Young Audit Services LLC is included in the Register of auditors and audit firms, registration number: 3516.

In millions of Ukrainian hryvnias	Note	31 December 2021	31 December 2020 (as reclassified)	31 December 2019 (as reclassified)
ASSETS				
Cash and cash equivalents	6	52,835	49,911	45,894
Loans and advances to banks	7	26,243	25,059	27,118
Loans and advances to customers	8	68,218	55,021	59,544
Investment securities including:		222,277	221,661	152,157
- at fair value through profit or loss	9	93,096	100,750	84,680
- at fair value through other comprehensive income	9	129,074	119,196	66,602
- at amortized cost	9	107	1,715	875
Current tax assets	21	9,978	6,660	2,257
Investments in subsidiaries, joint ventures and associates		30	30	155
Investment properties		1,989	2,933	3,379
Intangible assets other than goodwill	10	1,288	953	648
Property, plant and equipment	10	6,074	6,689	5,832
Other financial assets	11	2,644	3,448	2,210
Other non-financial assets	12	9,713	10,128	10,529
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners		7	32	-
TOTAL ASSETS		**401,296**	**382,525**	**309,723**
LIABILITIES				
Other borrowed funds		-	-	7,721
Due to others banks		3	2	201
Due to customers	13	325,303	312,708	240,621
Deferred tax liability	21	159	146	121
Other financial liabilities	14	3,770	4,059	2,639
Provisions including:	15	3,651	10,687	2,363
- provisions for loan commitments and financial guarantee contracts		373	329	290
- other provisions		3,278	10,358	2,073
Other non-financial liabilities	15	1,795	2,098	1,528
TOTAL LIABILITIES		**334,681**	**329,700**	**255,194**
EQUITY				
Issued capital	16	206,060	206,060	206,060
Share premium	16	23	23	23
Result from transactions with the shareholder		12,174	12,174	12,174
Other reserves	9, 10	(4,091)	(2,248)	(660)
Reserve and other funds of a bank	16	9,696	8,481	6,850
Accumulated deficit		(157,247)	(171,665)	(169,918)
TOTAL EQUITY		**66,615**	**52,825**	**54,529**
TOTAL EQUITY AND LIABILITIES		**401,296**	**382,525**	**309,723**

Approved for issue and signed on 26 July 2022.

Gerhard Boesch Chairman of the Board	Ganna Y. Samarina Deputy Chairperson of the Management Board (Chief Finance Officer)	Valentyna V. Yarmolenko Chief Accountant

In millions of Ukrainian hryvnias	Note	2021	2020 (as reclassified)
Interest income including:		35,854	33,563
- interest income calculated using effective interest method	17	30,870	28,547
- other interest income	17	4,984	5,016
Interest expense	17	(6,537)	(11,961)
Net interest income		**29,317**	**21,602**
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	18	(856)	(1,809)
Net interest income after charge for impairment		**28,461**	**19,793**
Commission income	19	35,057	27,649
Commission expenses	19	(11,840)	(8,888)
Net increase (decrease) from trading in foreign currencies		3,226	3,103
Net increase (decrease) from foreign exchange translation		1,017	(7,460)
Net increase (decrease) from debt financial instruments at fair value through other comprehensive income operations	9	32	8
Net increase (decrease) from financial instruments at fair value through profit or loss operations	9	(7,666)	16,045
Net increase (decrease) from revaluation of investment property		(873)	(256)
Employee benefits expense		(8,904)	(8,192)
Depreciation and amortisation expense		(2,183)	(1,791)
Share of profit (loss) of associates and joint ventures accounted for using equity method		-	(124)
Other administrative and operational expenses including:		(2,348)	(16,681)
- reversal of provision (recognition of provision) for legal cases	15, 20	6,464	(8,539)
- administrative and operational expense	20	(8,812)	(8,142)
Other income		1,286	1,200
Other gains (losses) - losses from modification of financial assets		(111)	(104)
Gains (losses) on initial recognition of financial assets at interest rates above or below market rates		(164)	(6)
Gain (loss) arising from derecognition of financial assets measured at amortised cost		77	-
Profit before tax		**35,067**	**24,296**
Income tax expense (income tax benefit)	21	(17)	6
Profit for the year		**35,050**	**24,302**

Approved for issue and signed on 26 July 2022.

Gerhard Boesch
Chairman of the Board

Ganna Y. Samarina
Deputy Chairperson of the Management Board (Chief Finance Officer)

Valentyna V. Yarmolenko
Chief Accountant

In millions of Ukrainian hryvnias	Note	31 December 2021	31 December 2020
Profit for the year		**35,050**	**24,302**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Financial assets on fair value through other comprehensive income:			
- Gains (losses) on financial assets measured at fair value through other comprehensive income before tax		(1,758)	(1,649)
- Reclassification adjustments on financial assets measured at fair value through other comprehensive income before tax		(32)	(8)
- Income tax relating to financial assets measured at fair value through other comprehensive income		(2)	(6)
Items that will not be reclassified to profit or loss:			
Premises and land:			
- Other comprehensive income gains (losses) on revaluation, before tax		(32)	139
- Income tax relating to changes in revaluation surplus of other comprehensive income		6	(25)
Other comprehensive income		**(1,818)**	**(1,549)**
Comprehensive income		**33,232**	**22,753**

Approved for issue and signed on 26 July 2022.

Gerhard Boesch
Chairman of the Board

Ganna Y. Samarina
Deputy Chairperson of the Management Board (Chief Finance Officer)

Valentyna V. Yarmolenko
Chief Accountant

In millions of Ukrainian hryvnias	Note	Issued capital	Share premium	Other reserves: Revaluation reserve of premises	Other reserves: Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Total other reserve	Result from transactions with the shareholder	Reserve and other funds of a bank	Accumulated deficit	TOTAL EQUITY
Equity at 1 January 2020		206,060	23	614	(1,274)	(660)	12,174	6,850	(169,918)	54 529
Profit for the year		-	-	-	-	-	-	-	24,302	24 302
Other comprehensive income		-	-	114	(1,663)	(1,549)	-	-	-	(1,549)
Comprehensive income		-	-	114	(1,663)	(1,549)	-	-	24,302	22 753
Increase (decrease) through transfers and other changes in equity:										
- transfer (depreciation) of the reserve for revaluation of premises into retained earnings		-	-	(39)	-	(39)	-	-	39	-
Profit distribution:										
- transfer to the reserve fund	16	-	-	-	-	-	-	1,631	(1,631)	-
- dividends recognised as distributed to owners	16	-	-	-	-	-	-	-	(24,457)	(24,457)
Equity at 31 December 2020		206,060	23	689	(2,937)	(2,248)	12,174	8,481	(171,665)	52,825
Equity at 1 January 2021		206,060	23	689	(2,937)	(2,248)	12,174	8,481	(171,665)	52,825
Profit for the year		-	-	-	-	-	-	-	35,050	35,050
Other comprehensive income		-	-	(26)	(1,792)	(1,818)	-	-	-	(1,818)
Comprehensive income		-	-	(26)	(1,792)	(1,818)	-	-	35,050	33,232
Increase (decrease) through transfers and other changes in equity:										
- transfer (depreciation) of the reserve for revaluation of premises into retained earnings		-	-	(25)	-	(25)	-	-	25	-
Profit distribution:										
- transfer to the reserve fund	16	-	-	-	-	-	-	1 215	(1,215)	-
- dividends recognised as distributed to owners	16	-	-	-	-	-	-	-	(19,442)	(19,442)
Equity at 31 December 2021		206,060	23	638	(4,729)	(4,091)	12,174	9 696	(157,247)	66,615

Approved for issue and signed on 26 July 2022.

Gerhard Boesch
Chairman of the Board

Ganna Y. Samarina
Deputy Chairperson of the Management Board (Chief Finance Officer)

Valentyna V. Yarmolenko
Chief Accountant

In millions of Ukrainian hryvnias	Note	2021	2020 (as reclassified)
Cash flows from operating activities			
Interest received		36,915	32,658
Interest paid		(6,755)	(12,266)
Commission income received		35,057	27,649
Commission expenses paid		(11,840)	(8,888)
Net increase (decrease) from operations with foreign currencies		3,226	3,103
Employees benefits paid		(9,176)	(7,683)
Administrative expenses and other operating expenses paid		(8,900)	(6,315)
Other income		1,701	1,319
Income taxes (paid) refund		(3,318)	(4,403)
Cash flows from operating activities before changes in operating assets and liabilities		**36,910**	**25,174**
Changes in operating assets and liabilities			
Net (increase) decrease in loans and advances to banks		(1,179)	2,065
Net (increase) decrease in loans and advances to customers		(15,000)	2,562
Net (increase) decrease in other financial assets		753	(2)
Net (increase) decrease in other assets		(105)	300
Other cash inflows (outflows)		35	5
Net decrease in due to banks		-	(220)
Net increase (decrease) in due to customers		17,718	56,207
Net increase (decrease) in other non-financial liabilities		64	40
Net increase (decrease) in other financial liabilities		(27)	(729)
Net cash flows from operating activities		**39,169**	**85,402**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		85	36
Purchase of property, plant and equipment		(1,122)	(1,686)
Purchase of intangible assets		(627)	(538)
Purchase of investment securities including:		(83,625)	(83,091)
- at fair value through other comprehensive income		(83,625)	(81,623)
- at amortized cost		-	(1,468)
Proceeds from sale and redemption of investments securities:		71,122	32,135
- at fair value through other comprehensive income		69,622	32,135
- at amortized cost		1,500	-
Net cash flows used in investing activities		**(14,167)**	**(53,144)**
Cash flows from financing activities			
Repayment of lease liabilities		(736)	(631)
Return of other borrowing funds		-	(7,621)
Dividends paid		(19,442)	(24,457)
Net cash flows used in financing activities	30	**(20,178)**	**(32,709)**
Effect of exchange rate changes on cash and cash equivalents		(1,683)	4,033
Effect of expected credit losses changes on cash and cash equivalents		(1)	(1)
Increase (decrease) in cash and c ash equivalents		**3,140**	**3,581**
Cash and cash equivalents at the beginning of the year		48,068	44,487
Cash and cash equivalents at the end of the year	6	**51,208**	**48,068**

Approved for issue and signed on 26 July 2022.

Gerhard Boesch
Chairman of the Board

Ganna Y. Samarina
Deputy Chairperson of the Management Board (Chief Finance Officer)

Valentyna V. Yarmolenko
Chief Accountant

ПРИВАТБАНК
УКРАЇНА
№2
Код 14360570

1 Introduction

Joint Stock Company Commercial Bank PrivatBank ("PJSC PrivatBank" or "the Bank") was initially registered as a limited liability company and then, re-organised into a closed joint stock entity in 2000. In 2009, the Bank changed its legal form to a public joint stock company, where shareholders liability is limited by number of shares owned in accordance with changes in Ukrainian legislation. In June 2018, the Bank changed its organisational and legal form from public joint stock company into a joint stock company.

As at 31 December 2021 and 2020 the Government of Ukraine represented by the Cabinet of Ministers of Ukraine is the ultimate controlling party of the Bank.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within Ukraine. The Bank has operated under a full banking licence issued by the National Bank of Ukraine (the "NBU") since March 1992. The Bank has been operating in the stock market: trading in securities and depository activities in accordance with the licenses of the National Securities and Stock Market Commission for since 2012 and 2013. The Bank participates in the State deposit insurance plan (registration № 113 dated 2 September 1999), which operates according to the Law №2740-III "On Individuals Deposits Guarantee Fund" dated 20 September 2001 (as amended). As at 31 December 2021 and 2020 the Deposit Guarantee Fund of Ukraine guaranteed repayment of individual deposits and interest on them for the amount up to UAH 200 thousand per individual in case bank liquidation procedure is started.

As at 31 December 2021, the Bank has 20 branches and 1,475 operating outlets in Ukraine and a branch in Cyprus (31 December 2020: 26 branches and 1,690 operating outlets in Ukraine and a branch in Cyprus).

Registered address and place of business. The Bank's registered address as at the date of these separate financial statements is:

1D, HRUSHEVSKOHO STR.
01001, KYIV,
Ukraine.

Presentation currency. These separate financial statements are presented in million ("UAH million"), unless otherwise stated.

2 Operating Environment of the Bank and the impact of the COVID-19 pandemic

The Bank conducts the main part of its activities in Ukraine. The Ukrainian economy has certain characteristics that threaten its long-term stability. Such characteristics include, but are not limited to, relatively low levels of liquidity in the capital markets and deficits in the balance of government finances and foreign trade.

As of end of March 2021, due to the recovery of economic activity at global commodity markets, prices remained at a high level.

In March 2021, the NBU published a Report on the implementation of the Strategy for the Development of the Financial Sector of Ukraine until 2025 for 2020, which notes that, despite the impact of the economic crisis through COVID-19, financial sector regulators are successfully implementing the Strategy for the Development of the Financial Sector of Ukraine until 2025 .

As of end of June 2021, the global economic recovery continued at a steady pace, supported by increased business optimism in the face of the spread of vaccination, despite the emergence of new strains of coronavirus.

In August 2021, Ukraine received USD 2.7 billion from the IMF.

In August 2021, the international rating agency Fitch Ratings changed the outlook on the ratings of five Ukrainian banks to "positive" from "stable" as a result of the agency's revision of the outlook on the sovereign ratings of Ukraine, respectively, to "positive" from "stable". Fitch noted that the rating decision was made taking into account the resilience of Ukraine's macroeconomic indicators to the shock caused by the coronavirus and expectations of economic recovery.

In October 2021, the international rating agency Fitch Ratings confirmed the long-term credit rating of PrivatBank at 'B' with a positive outlook. Fitch also affirmed the bank's viability ratings at the current 'b' level. "The affirmation of the national rating at 'AA (ukr)" with a stable outlook reflects PrivatBank's unchanged credit profile compared to peers in Ukraine. According to the agency, the affirmation of PrivatBank's ratings reflects the bank's leading position in the Ukrainian market, strong performance indicators and a slight impact on quality of the bank's loan portfolio from the effects of the pandemic.

2 Operating Environment of the Bank and the impact of the COVID-19 pandemic (Continued)

At the end of November 2021, Ukraine received the second tranche in amount of USD 700 million as part of cooperation with the International Monetary Fund.

In December 2021, the uncertainty associated with the distribution of Omicron in a number of countries held back the growth of the global economy. In the conditions of partial release of strategic reserves by the USA, China, Japan, this continued to put pressure in the direction of cheaper oil. At the same time, natural gas prices in the European market hit a new all-time high due to strong demand amid Russia's refusal to supply over-contract gas volumes.

In December 2021, the foreign exchange market was mostly balanced. This was facilitated by an increase in export earnings, including from agribusiness enterprises, and a net supply of foreign currency in cash. However, the persistence of geopolitical tension had a negative effect on the mood of market participants.

Together, these factors exacerbated economic development expectations and led to an increase in the risk premium for investing in Ukraine. Therefore, the conditions for attracting financing for the public and private sectors in foreign markets have worsened. Given this, cooperation with international financial institutions remains a reason for the proper management of macroeconomic risks. At the same time, the economy has a sufficient margin of safety to withstand these threats. Fiscal policy remained restrained, and the state budget deficit was moderate, public debt relative to GDP is further reduced, international reserves exceeded 90% of the IMF composite criterion, they are sufficient to smooth out possible fluctuations in the foreign exchange market. The financial system is in excellent condition: stable, well capitalized and liquid.

The economy is recovering more slowly than expected. Growth is still held back by the insufficient level of investment and the rise in energy prices.

Consumer inflation in December 2021 is 10% y/y (from 6.1% y/y in January). Actual consumer inflation in December 2021 was above the forecast published in the October Inflation Report.

Despite this, in 2021 the official exchange rate of the UAH against the USD of the National Bank of Ukraine decreased by 4% (from 28.2746 UAH per USD on 1 January 2021 to 27.2782 UAH per UAH on 31 December 2021) .

In 2021, the Board of the NBU decided to increase the discount rate from 6%, established since 2020, gradually to 9% in December 2021. The decision was driven by the need to offset additional pro-inflationary risks and improve inflation expectations, which would lead to a gradual reduction in inflation towards the target.

After the crisis, enterprises in many industries increased their profits, primarily due to high product prices. Favorable pricing conditions, strong domestic demand and a general decline in interest rates have created significant business demand for loans. Retail lending is also very active, with pre-crisis growth in consumer lending resuming, while mortgage lending is growing by almost 60% year on year.

Management is monitoring the status of the current situation with the spread of coronavirus and quarantine and taking measures, if it necessary, to minimize any negative consequences as much as possible. Further negative developments in events and macroeconomic conditions may adversely affect the Bank's financial position and performance in a manner that cannot be determined.

In preparing these separated financial statements, the known and estimable results of the aforementioned factors and the financial condition and performance of the Bank during the reporting period have been taken into account.

For changes in operating environment of the Bank as a result of subsequent events occurred in 2022 refer to Note 31.

3 Summary of Significant Accounting Policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Law of Ukraine «On accounting and financial statements in Ukraine» № 996-XIV of 16 July 1999 on the preparation of financial statements (as amended). Users of these separate financial statements shall read them together with consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2021 with the purpose to obtain a correct understanding of financial standing, financial performance results and cash flows of the Bank and its subsidiaries.

These separate financial statements have been prepared on the historical cost basis, with the exception of the initial recognition of financial instruments based on fair value, subsequent measurement of premises at revalued amounts and derivative financial instruments, financial assets at fair value through other comprehensive income and financial instruments at fair value through profit or loss are measured at fair value. The key accounting policies used in preparing these separate financial statements are set out below. These principles have been applied consistently to all periods presented, unless otherwise indicated.

Going concern. These financial statements have been prepared on a going concern basis. In preparing the financial statements for 2021, the Bank's management assessed the Bank's ability to continue its activities in the future, taking into account the ongoing hostilities in Ukraine that have caused and continue to cause significant negative consequences for the economy as a whole and for the Bank's customers, as noted in Note 31. The Bank has analyzed the potential impact of military aggression against Ukraine on its financial position and future financial results.

The Bank's estimates and forecasts for the next 12 months based on the following assumptions:

- macroeconomic forecast based on the May Focus Economics Consensus Forecast for Ukraine;
- stable retail clients base may be reduced due to the migration of part of the population of Ukraine abroad;
- the gradual restoration of active business customers numbers due to the partial recovery of business activity to the pre-war level and migration of businesses to safer regions;
- time deposits of retail and business clients will be extended, taking into account the trend of prolongation of deposits, taking into account the data after the war;
- loan portfolio - for retail business remains stable, with the fixing of credit limits at the current level with a decrease in the share of customers in the grace period; for business clients - relaunch and growth of lending to critical industries in safe regions under programs "5-7-9" and government guarantees, restoration of previously established limits on overdrafts, increase the term of lending under government lending programs will allow to receive interest income under such programs for a longer period;
- commission income - the forecast is based on the expectations of the Bank's customers to perform at least 70% of the normal (pre-war) volume of transactions, reduction of the number of branches and ATMs / TCOs in the occupied regions. At the same time, the Bank is taking a prudent approach to the restoration of tariffs for commission services, planning to gradually renew in full zeroed or reduced tariffs for payments, transfers, cash transactions, acquiring, and at the same time maintaining reduced commissions for critical transactions (transfers by international payment systems, commissions for sending SWIFT-payments for critical imports for the needs of the army, treatment, etc.);
- credit risks in the forecast period are growing, which requires recognition of additional provisions for outstanding assets and tighter credit policy requirements, which also impacts fair values of financial assets;
- impairment of non-financial assets (premises, equipment) and charge off of cash assets due to the war is taken into account;
- the Bank's operating expenses are forecasted at a level only to support operating activities (limiting all expenses that are not critical) or directly related to the consequences of martial law and providing continuity of the Bank's business;
- regulatory requirements take into account all officially approved at the forecast date plans of the NBU to introduce new requirements during the forecast period. At the same time, the Bank is considering the possibility of postponing the implementation of certain requirements of the NBU at the end of the forecasted period, given the actual situation and capabilities of the banking system at that time. In this case, the Bank complies with all regulatory requirements of the NBU throughout the forecast period.

As the estimates were based on events that are not similar in scale and impact on the Bank's and the country's overall performance in the past, actual results in the future may differ from those made by the Bank.

Assumptions underlying management's going concern assessments do not take into account external factors that may change in the future, namely: changes in capital market conditions in Ukraine and in the world as a whole, other and / or macroeconomic impacts not included in the Bank's estimates, geopolitical changes, significant changes in legislation, including banking, changes in reporting and accounting standards, changes in tax legislation, as well as other changes that may occur in the future and over which the Bank has no influence.

3 Summary of Significant Accounting Policies (Continued)

There is a material uncertainty primarily due to the unpredictable impact of ongoing hostilities on the territory of Ukraine on assumptions underlying management's assessments, that may cast the Bank's ability to continue as a going concern and, therefore, it may be not will be able to realise its assets and discharge its liabilities in the normal course of business.

However, the Bank's management believes that, despite such material uncertainty, the Bank's forecasts and estimates of compliance with regulatory requirements, operating results and the amount of provisions for impairment of assets provide sufficient grounds for the preparation of these financial statements on a going concern basis. The Bank's management will review the going concern status of the Bank right after the end of the martial law effectiveness in Ukraine.

Application of New or Revised Standards and Interpretations

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following new and revised standards and interpretations were adopted in the reporting year, but they had no impact on these financial statements:

- Amendments to IFRS 16 Leases - Amendments regarding COVID-19-Related Rent Concessions (issued in May 2020 and issued in March 2021; apply to annual periods beginning on or after 1 June 2020 and on or after 30 June 2021). Bank did not apply in 2020 and in 2021 and does not plan to apply these amendments in the future.
- Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 16 Leases and IFRS 4 Insurance contracts (issued in December 2020; apply to annual periods beginning on 1 January 2021). (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis. These amendments did not have a material impact on these separate financial statements.

Reclassification

In 2021, in accordance with the Law on Financial Reporting, the Bank for the first time submitted financial statements based on taxonomy according to international standards in a single electronic format for previous reporting periods. The single electronic format for Ukrainian banks is defined by the National Bank of Ukraine.

In connection with this submission, the Bank has revised the format of presentation of information in these financial statements and amended the comparative data accordingly to bring them into line with the single electronic format of data submission, according to the available taxonomy on the date of signing these separate financial statements .

3 Summary of Significant Accounting Policies (Continued)

For 2020, the following reclassification was made to conform to the 2021 presentation:

In millions of Ukrainian hryvnias	**31 December 2020 (as reported)**	**Reclassification**	**31 December 2020 (as reclassified)**
Separate Statement of Financial Position			
Right-of-use assets	1,748	(1,748)	-
Intangible assets other than goodwill	-	953	953
Property, plant and equipment	5,894	795	6,689
Other non-financial assets	8,900	1,228	10,128
Repossessed collateral	1,228	(1,228)	-
Other financial liabilities	2,907	1,152	4,059
Provisions including:	**-**	**10,687**	**10,687**
- provisions for loan commitments and financial guarantee contracts	-	329	329
- other provisions	-	10,358	10,358
Other non-financial liabilities	-	2,098	2,098
Provisions and non-financial liabilities	12,082	(12,082)	-
Lease liabilities	1,855	(1,855)	-
Revaluation reserve of premises	689	(689)	-
Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	(2,937)	2,937	-
Other reserves	-	(2,248)	(2,248)
Separate Statement of Profit or Loss			
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(1,771)	(38)	(1,809)
Interest income including:	**-**	**33,563**	**33,563**
- interest income calculated using effective interest method	-	28,547	28,547
- other interest income	-	5,016	5,016
Interest income	33,563	(33,563)	-
Provision for legal cases	(8,577)	8,577	-
Employee benefits expense	-	(8,192)	(8,192)
Depreciation and amortisation expense	-	(1,791)	(1,791)
Other administrative and operational expenses including:	**(18,006)**	**1,325**	**(16,681)**
- reversal of provision (recognition of provision) for legal cases	-	(8,539)	(8,539)
- administrative and operational expense	(18,006)	9,864	(8,142)
Impairment of repossessed collateral	(119)	119	-
Separate Statement of Cash Flows			
Net increase (decrease) in other non-financial liabilities	-	40	40
Net increase (decrease) in other financial liabilities	-	(729)	(729)
Net (increase)/decrease in provisions, other financial and non-financial liabilities	(689)	689	-

3 Summary of Significant Accounting Policies (Continued)

For 2019, the following reclassification was made to conform to the 2021 presentation:

In millions of Ukrainian hryvnias	31 December 2019 (as reported)	Reclassification	31 December 2019 (as reclassified)
Separate Statement of Financial Position			
Right-of-use assets	1,716	(1,716)	-
Intangible assets other than goodwill	-	648	648
Property, plant and equipment	4,764	1,068	5,832
Other non-financial assets	9,285	1,244	10,529
Repossessed collateral	1,244	(1,244)	-
Other financial liabilities	1,522	1,117	2,639
Provisions including:	-	2,363	2,363
- provisions for loan commitments and financial guarantee contracts	-	290	290
- other provisions	-	2,073	2,073
Other non-financial liabilities	-	1,528	1,528
Provisions and non-financial liabilities	3,260	(3,260)	-
Lease liabilities	1,748	(1,748)	-
Revaluation reserve of premises	614	(614)	-
Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	(1,274)	1,274	-
Other reserves	-	(660)	(660)

Financial instruments - main defined terms. Financial instruments are carried at fair value or amortized cost, depending on the business model and contractual terms of the financial instruments described below.

Fair value is the price that would be received from the sale of an asset or paid on a liability in a orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is a market in which asset and liability transactions are held at a sufficient frequency and in sufficient volumes to provide current pricing information.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held by the Bank and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 27.

Transaction costs are expenses directly related to the acquisition, issue or disposal of a financial asset or liability and which could not have occurred if the entity did not issue, acquire or sell a financial instrument. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition reduced by the amount of principal repayment, increased (reduced) by the amount of accumulated amortisation of any difference between the original cost and the repayment value calculated using the effective interest rate, adjusted in the case of purchase/originated credit-impaired financial assets, for expected credit losses.

3 Summary of Significant Accounting Policies (Continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and distributing income or interest expenses over the relevant period. The effective interest rate (EIR) is the rate that discounts the expected flow of future cash payments or receipts over the life of the financial instrument to the gross carrying amount of a financial asset or to the gross amortised cost of a financial liability. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Gains or losses on initial recognition are recorded in the statement of profit or loss.

Profit or loss arising from transactions with the shareholder is recognised in equity under "Result from transactions with the shareholder".

All transactions for the purchase or sale of financial assets are recognized on the settlement date, which is the date of delivery of the asset to the Bank or by the Bank.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the contractual rights to cash flows from the financial asset expire, or (b) the Bank transfers the financial asset and this transfer match the criteria for derecognition.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, unrestricted demand and overnight deposits with central and other banks. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the Central Banks. Mandatory cash balances with the Central Banks are carried at amortised cost and are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Loans and advances to customers. The Bank measures loans and advances to customers at amortized cost if both of the following conditions are met:

(a) an asset is managed on a "hold to collect" basis;

(b) the contractual terms of the financial asset provide for certain dates of cash flows, which are solely the repayment of the principal amount and payment of interest on the outstanding principal amount.

In more detail, such conditions are presented below.

At the first stage the Bank determines the business model at a level that better reflects how the grouped financial assets are managed to achieve a specific business goal. The Bank's business model is not assessed at the level of individual instruments, but at a higher level of portfolio aggregation and is based on observable factors such as:

- how the performance of the business model and the profitability of financial assets held within this business model are assessed, and how this information is communicated to the key management staff of the Bank;
- risks affecting the performance of the business model (and the profitability of financial assets held under this business model) and, in particular, the method of managing these risks.

At the second stage of the classification process, the Bank evaluates the contractual terms of the financial asset to determine whether the contractual cash flows for the asset are solely payments from the principal amount and interest on the outstanding part of the principal amount (SPPI test).

3 Summary of Significant Accounting Policies (Continued)

For the purposes of this test, the "principal amount of the debt" is the fair value of the financial asset at initial recognition, and it may change over the term of the financial asset. The most significant elements of interest under a loan contract are usually reimbursement for the time value of money and reimbursement for credit risk. For the SPPI test, the Bank applies judgments and analyzes relevant factors, such as the currency in which the financial asset is expressed, and the period for which the interest rate is set.

When financial assets are renegotiated and the renegotiated terms differ substantially from the previous terms, the new asset is initially recognised at its fair value. This asset at initial recognition is classified as purchase/originated credit-impaired if at the date of purchase/renegotiation was impaired.

In the case of purchase/originated credit-impaired financial assets, expected credit losses are measured based on cash flows discounted at the adjusted for credit risk effective interest rate determined upon initial recognition.

If the renegotiated terms do not differ substantially from the previous terms, such changes do not lead to derecognition of the original asset, instead the Bank recognizes a gain or loss on the modification based on changes in cash flows discounted at the original effective interest rate.

Assessment of expected credit losses

Credit loss is the difference between all contractual cash flows payable to the Bank under the contract and all cash flows that the Bank expects to receive (that is, taking into account all cash shortages) discounted at the original effective rate (or adjusted risk for purchased or originated credit impaired financial assets).

The Bank estimates cash flows by taking into account all contractual terms for a financial instrument (for example, advances, extensions, a call option and similar options) during the expected life of such a financial instrument. The Bank also considers cash flows from the sale of held collateral or other credit enhancement mechanisms, which are an integral part of the contract.

The Bank assumes that it is possible to make a reliable estimate of the expected life of the financial instrument. At the same time, in those rare cases when it is impossible to make a reliable estimate of the expected life of a financial instrument, the Bank uses the remaining term stipulated by the contract for such a financial asset.

The Bank regularly assesses the quality of the loan portfolio and assesses the expected loss from possible losses. The amount of expected credit loss is equal to the 12-month expected credit loss or expected credit loss for the lifetime of the financial instrument.

Upon initial recognition and prior to the date of a significant increase in credit risk, the Bank recognizes allowance for 12 month ECL or a period until repayment, if such a period is shorter than 12 months. Allowance for 12 month ECL is part of the allowance for lifetime ECL, reflecting expected credit losses due to the default of a financial instrument that may occur within 12 months after the reporting date.

Allowance for lifetime ECL are expected credit losses that result from all possible default events over the expected life of a financial instrument. Allowance for lifetime ECL of the financial instrument are recognized if the credit risk of the financial instrument has increased significantly since initial recognition.

For all financial instruments, depending on the type of instrument and the type of a debtor, the following factors of significant increase in credit risk are determined:

- overdue payments of more than 30 days as at reported date (for banks more than 7 days);
- overdue of payments of more than 30 days that occur more than twice during last 12 months (loans to customers); and other.

The Bank estimates the amount of expected credit losses of a financial instrument in such a way that it reflects: (a) an objective and probability-weighted amount, which is determined by evaluating a number of possible results; (b) time value of money; and (c) reasonable and acceptable information about past events, current conditions and forecasts regarding future economic conditions, which can be obtained without any extra effort or expense as of the reporting date.

Expected credit losses reflect the Bank's own expectations of credit losses. However, taking into account all reasonable and confirmed information that can be obtained without extra costs or effort when assessing credit losses, the Bank also considers observant market information about the credit risk of a particular financial instrument or similar financial instruments.

3 Summary of Significant Accounting Policies (Continued)

The Bank recognizes, at each reporting date, a change in the amount of expected credit losses as a profit or loss from impairment in profit or loss. The Bank recognizes positive changes in expected credit losses as a profit from impairment, and negative changes as loss from impairment.

For all financial instruments, depending on the type of instrument and the type of a debtor, the following impairment factors are determined:

- overdue over 90 days as at reported date (for banks from 30 days);
- initiation or declaration of bankruptcy; initialization of liquidation of a legal entity;
- identification of fraud or confirmation of fraud indicators in respect financial transaction (for loans starting 1st day of overdue) and other.

The assessment of financial instruments, depending on their significance, is conducted on an individual or portfolio basis. In the estimation of expected losses on an individual basis, the Bank uses scenario analysis based on discounted cash flows weighted with probability.

The Bank directly reduces the gross carrying amount of a financial asset and allowance for expected credit losses if it does not have reasonable expectations for the restoration of the financial asset as a whole or part of it. Write-off is a derecognition event.

Repossessed collateral. Repossessed collateral represents non-financial assets repossessed by the Bank in settlement of past due loans. The assets are initially recognised at lower of fair value or gross carrying value of the related loans. Further the Bank measures such assets at the lower of the two values: carrying amount and net realisable value. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding debt. In general, the Bank does not occupy repossessed properties for business use.

Credit related commitments and financial guarantees. The Bank enters into credit related commitments, including commitments to extend credit, letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its financial obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a proportion basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; in this case loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) estimated allowance for expected credit losses.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Investment securities. The Bank determines the category of securities valuation in accordance with the business model and SPPI criteria:

1) Investment securities are measured at amortized cost ("AC") if both of the following conditions are performed:

(a) an asset is matched on a "hold to collect" basis;

(b) the contractual terms of the financial asset provide for certain dates of cash flows, which are only the repayment of the principal amount and payment of interest on the outstanding principal amount.

2) Investment securities are measured at fair value through other comprehensive income ("FVOCI") if:

(a) an asset is matched on a "hold to collect and for sale" basis;

(b) the contractual terms of the financial asset provide for certain dates of cash flows, which are only the repayment of the principal amount and payment of interest on the outstanding principal amount.

3 Summary of Significant Accounting Policies (Continued)

After initial recognition, such securities are measured at fair value with the result of the revaluation transferred to other comprehensive income, except for impairment losses, gains or losses from foreign currency transactions and interest income accrued using the effective interest method are recognized directly in the statement of profit and loss. When securities are selling, the profit/loss previously reflected in other comprehensive income will be reflected in profit and loss.

3) Investment securities are measured at fair value through profit or loss ("FVPL"), unless it is measured at amortized cost or at fair value through other comprehensive income. The embedded derivative is accounted together with the host contract. For each reporting date investment securities measured at fair value through profit or loss are revalued together with an embedded option to fair value.

Investments in subsidiaries and associates. The Bank accounts for its investments in subsidiaries and associates at cost.

Investment property. Investment property is property held by the Bank to earn rental income or for capital appreciation, or both and which is not occupied by the Bank. Investment property is initially recognised at cost, including transaction costs.

Right-of-use assets. The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Fixed assets. Fixed assets are stated at cost or revalued cost, as described below, less accumulated depreciation and accumulated impairment losses, where required.

Premises are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the period. The revaluation reserve of premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset. At the date of revaluation accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Construction in progress is carried at cost less impairment where required. Construction in progress is not depreciated until the asset is available for use.

All other items of fixed assets are stated at cost.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of fixed assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the period to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the period.

3 Summary of Significant Accounting Policies (Continued)

Depreciation. Land is not depreciated. Depreciation on other items of fixed assets begins with the date when the asset is available for use and is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives mostly as follows:

Premises	5-50 years
Computers	2-10 years
Office furniture and equipment	4-13 years
Motor vehicles	5-10 years
Intangible assets	2-20 years
Electronic systems	4-20 years
Other	4-12 years

Leasehold improvements are depreciated over the term of the underlying lease. The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The liquidation value is reviewed at the end of each financial year and, if expectations differ materially from previous estimates, are reflected as changes in the accounting estimate. As of 31 December 2021 and 2020, the liquidation value was zero.

Intangible assets. The Bank's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives from 2 to 10 years.

Short-term leases and leases of low-value assets. The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (value of less than UAH 50 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Finance lease receivables. Where the Bank is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the period.

Assets held-for-sale. The Bank classifies assets as non-current assets held-for-sale if their carrying amount is recovered principally through a sale transaction rather than through the operation. For this purpose, assets should be available for immediate sale in their present condition that is typical for such non assets offered for sale, it is highly probable that these assets will be sold and management of the Bank has an intention and ability to sell them.

The Bank measures such assets the lower of their carrying amount and fair value less costs to sell. No depreciation is charged on assets held-for-sale.

Due to banks and other financial institutions. Amounts due to banks and other financial institutions are recorded when money or other assets are advanced to the Bank by counterparty banks or other financing institutions. The non-derivative liability is carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, forward rate agreements, currency swaps and currency options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the period. The Bank does not apply hedge accounting.

Derecognition of financial liabilities. The Bank derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between the Bank and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. Terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Lease liabilities. At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of option to purchase the underlying asset.

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

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the separate financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

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

3 Summary of Significant Accounting Policies (Continued)

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions. Provisions are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital and share premium. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Bank recognizes interest income on non-impaired financial assets based on the gross carrying value of such assets applying the original effective interest rate.

For impaired financial instruments, interest income is calculated as the product of the net carrying value (amortized cost) and the effective interest rate.

Interest income on all financial measured at FVPL is recognized using the contractual interest rate within other interest income in the separate statement of profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of the Bank, and the Bank's statement presentation currency, is the national currency of Ukraine, Ukrainian hryvnia ("UAH"). Transactions in foreign currencies are recognised in the functional currency at the rate of exchange ruling at the date of the transaction.

3 Summary of Significant Accounting Policies (Continued)

Monetary assets and liabilities denominated in foreign currency are translated into functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into functional currency at period-end official exchange rates of the NBU are recognised in profit or loss for the period (as foreign exchange translation gains less losses). Translation at period-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity instruments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Rates of exchange. The principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2021, UAH	31 December 2020, UAH
1 US Dollar (USD)	27.278200	28.274600
1 Euro (EUR)	30.922600	34.739600

Offsetting. Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to shareholder of the Bank by the weighted average number of participating shares outstanding during the reporting period.

Staff costs and related contributions. Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the separate financial statements and the carrying amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Impairment losses on loans and advances to customers. The Bank regularly assesses the quality of the loan portfolio and assesses the expected losses from possible losses. The amount of expected loan loss is equal to the 12-month expected credit loss or expected credit loss for the lifetime of the financial instrument, if deterioration in credit quality after initial recognition occurred. Allowance for lifetime ECL of a financial instrument are recognized if the credit risk of a financial instrument has increased significantly since its initial recognition.

As at 31 December 2021, a 10% increase or decrease in actual and forecast parameters on loans with estimate of allowance for 12 month ECL and with estimate of allowance for lifetime ECL on a portfolio basis would lead to an increase or decrease in the allowance for expected credit losses of UAH 151 million (2020: an increase or decrease in the allowance for expected credit losses of UAH 150 million).

As at 31 December 2021, a 10% increase or decrease in actual loss on impaired loans, which are assessed on a portfolio basis, would result in an increase or decrease in the allowance for expected credit losses of UAH 253 million or UAH 910 million, respectively (2020: in an increase or decrease of allowance for loan impairment of UAH 363 million or UAH 1,219 million, respectively).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

As at 31 December 2021, a 10% increase or decrease in the actual loss from individually impaired significant loans, which could arise from differences in amounts and terms of the cash flows, would result in an increase or decrease allowance for expected credit losses of UAH 826 million or UAH 16,375 million, respectively (2020: in an increase or decrease of allowance for loan impairment of UAH 945 or UAH 16,395 million, respectively)

To estimate the expected credit losses on a portfolio basis, historical data (on default events, losses in case of default, etc.) of loan groups with similar characteristics are used, taking into account forecast macroeconomic drivers (average wages, current account, exchange rate, price of gasoline, price for basic export goods (eg wheat), gross domestic product and other indicators) using probability-weighted scenarios - basic, optimistic and pessimistic. The Bank forecasts economic indicators for two years.

Information on key macro drivers (main indicators) in terms of weighted scenarios as of 31 December 2021 is presented below:

Key drivers	Scenario	Assigned Weightings (%)	2022	2023
	Basic scenario	50%	8%	8%
Dynamics of average monthly salary,%	Optimistic scenario	10%	12%	8%
	Pessimistic scenario	40%	8%	8%
	Basic scenario	50%	(410)	(850)
Current account, USD, mln	Optimistic scenario	10%	(252)	(692)
	Pessimistic scenario	40%	(568)	(1,008)
	Basic scenario	50%	28.0	28.7
Exchange rate, 1 USD/UAH	Optimistic scenario	10%	26.6	27.3
	Pessimistic scenario	40%	38.2	39.7
	Basic scenario	50%	30.9	31.8
The price of A95 gasoline, UAH/1 liter	Optimistic scenario	10%	29.4	30.2
	Pessimistic scenario	40%	38.6	39.8
	Basic scenario	50%	1.9	3.4
GDP, %	Optimistic scenario	10%	3.2	4.7
	Pessimistic scenario	40%	(4.8)	(3.3)
	Basic scenario	50%	660	557
Wheat price, USD for 1 bushel	Optimistic scenario	10%	804	678
	Pessimistic scenario	40%	516	435
	Basic scenario	50%	7.75	7.70
Export of ferrous metals, USD, billion	Optimistic scenario	10%	8.38	8.32
	Pessimistic scenario	40%	7.13	7.07

The following is the impact of the application of several scenarios on the amount of expected credit losses on the main segment of the Bank's loan portfolio (credit cards) as of 31 December 2021:

Stage of assessment of expected credit losses	Influence multiple scenarios	Influence base scenario	The effect of using multiple scenarios
With estimate of allowance for 12 month ECL	942	850	92
With estimate of allowance for lifetime ECL	161	154	7
Credit-impaired loans	1,481	1,464	17
Total	**2,584**	**2,468**	**116**

The effect of applying multiple economic scenarios on the amount of expected credit losses is defined as comparing the amount of expected credit losses as a result of applying 100% weighting to the baseline scenario for each stage with the amount of expected credit losses in the case of multiple weighted scenarios as at 31 December 2021.

The Bank regularly validates and analyzes macro indicators in terms of their impact on expected credit losses and changes their list and weights of scenarios if necessary.

The forecasts of macro indicators used to forecast PD and LGD are reviewed by the Bank on a quarterly basis in order to adequately assess the amount of potential credit losses.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Information on key macro drivers (main indicators) in terms of weighted scenarios as of 31 December 2020 is presented below:

Key drivers	Scenario	Assigned Weightings (%)	2021	2022
	Basic scenario	50%	11.91%	11.91%
Dynamics of average monthly salary,%	Optimistic scenario	10%	14.19%	14.19%
	Pessimistic scenario	40%	9.95%	9.95%
	Basic scenario	50%	(650)	(650)
Current account, USD, mln	Optimistic scenario	10%	(492)	(492)
	Pessimistic scenario	40%	(808)	(808)
	Basic scenario	50%	29	29
Exchange rate, 1 USD/UAH	Optimistic scenario	10%	28	28
	Pessimistic scenario	40%	41	41
	Basic scenario	50%	27	27
The price of A95 gasoline, UAH/1 liter	Optimistic scenario	10%	25	25
	Pessimistic scenario	40%	34	34
	Basic scenario	50%	4	4
GDP, %	Optimistic scenario	10%	5	5
	Pessimistic scenario	40%	(3)	(3)
	Basic scenario	50%	526	526
Wheat price, USD per 1 bushel	Optimistic scenario	10%	671	671
	Pessimistic scenario	40%	381	381

The following is the impact of the application of several scenarios on the amount of expected credit losses on the main segment of the Bank's loan portfolio (credit cards) as of 31 December 2020:

Stage of assessment of expected credit losses	Influence multiple scenarios	Influence base scenario	The effect of using multiple scenarios
With estimate of allowance for 12 month ECL	905	801	104
With estimate of allowance for lifetime ECL	174	160	14
Credit-impaired loans	2,176	2,140	36
Total	**3,255**	**3,101**	**154**

The fair value of investment securities at FVPL with an embedded option. The fair value of investment securities at FVPL with an embedded option that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel. Additional information is provided in the Note 27.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 26.

Significant judgement in determining the lease term of contracts with renewal options. The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

5 New or Revised Standards and Interpretations that are Issued, but not yet Effective

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (released on 11 September 2014 and effective for annual periods beginning after the date specified by the International Accounting Standards Board)

5 New or Revised Standards and Interpretations that are Issued, but not yet Effective (Continued)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Bank does not expect a material effect from application of these amendments.

IFRS 17 Insurance Contracts (issued in May 2017; applies to annual periods beginning on or after 1 January 2023)

IFRS 17 Insurance Contracts (IFRS 17) is 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.

The Bank does not expect these changes will have a significant impact on these separate financial statements.

Amendments to IFRS 1 First-time Adopter (issued in May 2020; apply to annual periods beginning on or after 1 January 2022).

The amendments updated IFRS 1 by simplifying the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

These amendments are not applicable to the Bank and will not have an impact on these separate financial statements.

Amendments to IAS 41 Agriculture (issued in May 2020; apply to annual periods beginning on or after 1 January 2022).

The amendments updated IAS 41 by removing a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

These amendments are not applicable to the Bank and will not have an impact on these separate financial statements.

Amendments to IAS 16 Property, Plant and Equipment (issued in May 2020; apply to annual periods beginning on or after 1 January 2022).

The amendments updated IAS 16 by prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

These amendments are not applicable to the Bank and will not have an impact on these separate financial statements.

Amendments to IFRS 3 Business Combinations (issued in May 2020; apply to annual periods beginning on or after 1 January 2022).

The amendments updated IFRS 3 by narrowing and clarifying the definition of business. There were also made it easier to assess whether the acquired set of activities and assets is a group of assets rather than a business.

These amendments are not applicable to the Bank and will not have an impact on these separate financial statements.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020; apply to annual periods beginning on or after 1 January 2022).

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

5 New or Revised Standards and Interpretations that are Issued, but not yet Effective (Continued)

The Bank does not expect these amendments and new standard will have a significant impact on these separate financial statements.

Amendments to IFRS 9 Financial Instruments (issued in 2018-2020, effective for annual periods beginning on or after 1 January 2022).

Fees in the "10 per cent" test for derecognition of financial liabilities. 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 Bank does not expect these amendments will have a significant impact on these separate financial statements.

Amendments to IAS 12 Income Taxes (issued in May 2021; apply to annual reporting periods beginning on or after 1 January 2023).

The amendments updated IAS 12 by reducing diversity in the reporting and aligning the accounting for deferred tax on transactions such as leases, that lead to the recognition of an asset and liability, with the general principle in IAS 12 of recognising deferred tax for temporary differences.

The Bank does not expect these amendments will have a significant impact on these separate financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in February 2021; apply to annual reporting periods beginning on or after 1 January 2023).

The amendments updated IAS 8 by introducing a definition of 'accounting estimates' and including other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

The Bank does not expect these amendments will have a significant impact on these separate financial statements.

Amendments to IFRS 17 Insurance Contracts, IFRS 9 Financial Instruments (issued in March 2021; apply to annual reporting periods beginning on or after 1 January 2023).

The amendments updated IFRS 17, IFRS 9 by helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The Bank does not expect these amendments will have a significant impact on these separate financial statements.

Amendments to IAS 1: Presentation of Financial Statements (issued in January 2020).

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.

Amendments to IAS 1 Presentation of Financial Statements (issued in January and February 2021; apply to annual reporting periods beginning on or after 1 January 2023).

The amendments updated IAS 1 issued in 2021 by requiring entities to disclose their material accounting policy information rather than their significant accounting policies and including guidance and examples on the application of materiality to accounting policy disclosures. The amendments issued in 2020 relate to and clarify the classification of current and non-current liabilities.

5 New or Revised Standards and Interpretations that are Issued, but not yet Effective (Continued)

The Bank does not expect these amendments will have a significant impact on these separate financial statements.

6 Cash and Cash Equivalents and Mandatory Reserves

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Cash on hand	21,027	20,774
Cash balances with the NBU	5,957	5,549
Cash balances and mandatory reserves with the Central Bank of Cyprus	1,626	1,838
Correspondent accounts and overnight placements with banks		
- Ukraine	1	4
- OECD	24,136	21,664
- Other countries than OECD	103	98
Less: Allowance for 12 month ECL	(15)	(16)
Total cash and cash equivalents	**52,835**	**49,911**

As at 31 December 2021, the mandatory reserve balances of the Bank's branch in Cyprus kept with the Central Bank of Cyprus was UAH 80 million (31 December 2020: UAH 101 million) and in the Bank's correspondent accounts, funds in the amount of UAH 1 million (31 December 2020: UAH 5 million) were limited by a court decision. In addition, as at 31 December 2021 cash balances with the Central Bank of Cyprus of UAH 1,546 million (31 December 2020: UAH 1,737 million) were restricted in similar manner as a mandatory reserve balances and were not available for operating activities.

As the respective assets are not freely available to finance the day-to-day operations of the Bank, for the purposes of the separate statement of cash flow, UAH 1,627 million of such balances were excluded from cash and cash equivalents (31 December 2020: UAH 1,843 million).

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Total cash and cash equivalents	52,835	49,911
Less mandatory reserves and other restricted balances	(1,627)	(1,843)
Cash and cash equivalents for the purposes of the separate statement of cash flows	**51,208**	**48,068**

For the purposes of determining the expected credit losses the Bank assesses all financial assets in cash and cash equivalents and mandatory reserves on an individual basis with the use of ratings and indicators of probability of defaults, published by international rating agencies Fitch Ratings, Moody's and Standard & Poor's, which have a continuous, coherent and long-term history of defaults.

For the correspondent account in the NBU, the counterparty is assessed based on the highest rating on the national scale.

6 Cash and Cash Equivalents and Mandatory Reserves (Continued)

The credit quality of cash and cash equivalents balances may be summarised based on Fitch ratings where available, or other rating agencies converted to the nearest equivalent on Fitch rating scale at 31 December 2021 as follows:

In millions of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the central banks, including mandatory reserves**	**Correspondent accounts and overnight placements with banks**	**Total**
Cash on hand	21,027	-	-	21,027
Cash balances with the Central Banks	-	7,583	-	7,583
AA, AA- rated	-	-	18,994	18,994
A- rated	-	-	3,276	3,276
BBB+, BBB, BBB- rated	-	-	1,835	1,835
BB+, BB, BB- rated	-	-	47	47
B, B- rated	-	-	7	7
Unrated	-	-	81	81
Total cash and cash equivalents, gross	**21,027**	**7,583**	**24,240**	**52,850**

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings where available, or other rating agencies converted to the nearest equivalent on Moody's rating scale at 31 December 2020 as follows:

In millions of Ukrainian hryvnias	**Cash on hand**	**Cash balances with the central banks, including mandatory reserves**	**Correspondent accounts and overnight placements with banks**	**Total**
Cash on hand	20,774	-	-	20,774
Cash balances with the Central Banks	-	7,387	-	7,387
Aa1 to Aa2 rated	-	-	14,253	14,253
A1 to A2 rated	-	-	5,762	5,762
Baa1 to Baa3 rated	-	-	1,616	1,616
Ba2 to Ba3 rated	-	-	39	39
B3 rated	-	-	85	85
Unrated	-	-	11	11
Total cash and cash equivalents, gross	**20,774**	**7,387**	**21,766**	**49,927**

As at 31 December 2021 the Bank used the ratings of the international rating agency Fitch for credit quality, as at 31 December 2020 the ratings of the international rating agency Moody's, the change of the source did not have a significant impact on expected credit losses.

Geographical, maturity and interest rate analysis of cash and cash equivalents and mandatory reserves is disclosed in Note 23.

7 Due from banks

In millions of Ukrainian hryvnias	**31 December 2021**	**31 December 2020**
Deposit certificates of the National Bank of Ukraine	26,212	25,006
Finance lease receivable	31	53
Total loans and advances to banks	**26,243**	**25,059**

7 Due from banks (Continued)

Analysis by credit quality of amounts due from banks outstanding at 31 December 2021 is as follows:

In millions of Ukrainian hryvnias	**Deposit certificates of the National Bank of Ukraine**	**Finance lease**	**Total**
- Deposit certificates of the National Bank of Ukraine	26,212	-	26,212
- B rated	-	31	31
Total loans and advances to banks	**26,212**	**31**	**26,243**

Analysis by credit quality of amounts due from Banks outstanding at 31 December 2020 is as follows:

In millions of Ukrainian hryvnias	**Deposit certificates of the National Bank of Ukraine**	**Finance lease**	**Total**
Neither past due nor impaired			
- Deposit certificates of the National Bank of Ukraine	25,006	-	25,006
- B2 rated	-	53	53
Total loans and advances to banks	**25,006**	**53**	**25,059**

As at 31 December 2021 deposit certificates bore interest rate from 8% to 9% per annum (31 December 2020: from 5% to 6% per annum.

As at 31 December 2021 the Bank used the ratings of the international rating agency Fitch for credit quality, as at 31 December 2020 the ratings of the international rating agency Moody's, the change of the source did not have a significant impact on expected credit losses. As at 31 December 2021 the credit quality is based on Fitch ratings (31 December 2020: Moody's ratings) where available, or other rating agencies converted to the nearest equivalent on Fitch ratings scale (31 December 2020: Moody's ratings scale). The primary factor that the Bank considers in determining whether a balance is impaired is its overdue status.

Refer to Note 27 for the estimated fair value of each class of amounts due from banks. Geographical, maturity and interest rate analysis of due from banks is disclosed in Note 23.

8 Loans and Advances to Customers

In millions of Ukrainian hryvnias	**31 December 2021**	**31 December 2020**
Loans and finance lease managed as a separate portfolio	163,513	164,332
Corporate loans	4,091	5,509
Loans to individuals – cards	45,314	40,609
Loans to individuals – mortgage	9,858	9,566
Loans to individuals – consumer	5,343	3,500
Loans to individuals – auto	394	35
Loans to individuals – other	83	129
Loans to small and medium enterprises (SME)	11,903	6,859
Finance lease receivables – individuals	735	1,052
Finance lease receivables – corporate customers	267	588
Finance lease receivables – small and medium enterprises (SME)	1,067	517
Purchase/originated credit-impaired - corporate customers	-	76
Total loans and advances to customers, gross	**242,568**	**232,772**
Less: Allowance for expected credit losses	(174,350)	(177,751)
Total loans and advances to customers	**68,218**	**55,021**

As at 31 December 2021 and 2020, category "Loans managed as a separate portfolio" includes non-performing loans, which were issued before 19 December 2016. Management considers that these loans bears similar credit risk characteristics regardless of the economy sector or type of commercial activity at the date of issuance of such loans. As at 31 December 2021 the Bank recognised UAH 162,322 million of allowance for expected credit losses under these loans (31 December 2020: UAH 162,163 million). During 2021, the Bank wrote off UAH 1,744 million of these loans (during 2020: UAH 56,663 million), but will continue to take actions to recover the written-off debt.

8 Loans and Advances to Customers (Continued)

The table below presents an analysis of changes in the gross carrying amount of loans and advances to customers in 2021:

		Transfer of loans to categories										
In millions of Ukrainian hryvnias	**Gross carrying amount at 1 January 2021**	With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit-impaired loans	Derecognition of financial instruments	New recognized financial assets	Other changes in gross carrying amount	Written off	Reclassification by types of customers	Exchange differences	Other	**Gross carrying amount at 31 December 2021**
With estimate of allowance for 12 month ECL	**50,656**	**4,652**	**(6,162)**	**(231)**	**(26,230)**	**53,446**	**(10,025)**	**-**	**-**	**(71)**	**-**	**66,035**
Loans and finance lease managed as a separate portfolio	5	-	-	-	(4)	-	-	-	-	-	-	**1**
Corporate loans	3,647	232	(365)	(2)	(3,460)	3,525	6	-	(608)	(62)	-	**2,913**
Loans to individuals – cards	35,803	981	(1,990)	(196)	(15,781)	22,204	1,191	-	-	-	-	**42,212**
Loans to individuals – mortgage	1,714	642	(666)	(9)	(224)	2,011	(364)	-	-	-	-	**3,104**
Loans to individuals – consumer	3,423	26	(50)	(3)	(2,174)	10,587	(6,517)	-	-	-	-	**5,292**
Loans to individuals – auto	-	43	(52)	-	(1)	394	(37)	-	-	-	-	**347**
Loans to individuals – other	17	2	(2)	-	(25)	32	(4)	-	-	-	-	**20**
Loans to small and medium enterprises (SME)	4,705	2,323	(2,544)	(19)	(4,294)	13,492	(3,597)	-	608	(9)	-	**10,665**
Finance lease receivables	1,342	403	(493)	(2)	(267)	1,201	(703)	-	-	-	-	**1,481**
With estimate of allowance for lifetime ECL	**3,068**	**(4,446)**	**6,232**	**(1,382)**	**(1,165)**	**794**	**(1,103)**	**-**	**-**	**(16)**	**-**	**1,982**
Corporate loans	491	(232)	365	(8)	(509)	123	(34)	-	(109)	(8)	-	**79**
Loans to individuals – cards	383	(808)	1,999	(1,191)	(35)	41	(71)	-	-	-	-	**318**
Loans to individuals – mortgage	528	(631)	694	(41)	(75)	27	(109)	-	-	(6)	-	**387**
Loans to individuals – consumer	6	(24)	50	(16)	(5)	7	(8)	-	-	-	-	**10**
Loans to individuals – auto	-	(43)	52	-	-	13	(2)	-	-	-	-	**20**
Loans to individuals – other	1	(2)	2	-	(2)	-	1	-	-	-	-	**-**
Loans to small and medium enterprises (SME)	953	(2,305)	2,563	(102)	(446)	498	(596)	-	109	(2)	-	**672**
Finance lease receivables	706	(401)	507	(24)	(93)	85	(284)	-	-	-	-	**496**
Credit-impaired loans	**178,972**	**(206)**	**(70)**	**1,613**	**(666)**	**187**	**836**	**(5,348)**	**-**	**(695)**	**(72)**	**174,551**
Loans and finance lease managed as a separate portfolio	164,327	-	-	-	(216)	114	1,369	(1,744)	-	(338)	-	**163,512**
Corporate loans	1,371	-	-	10	(12)	-	(45)	(125)	(36)	(64)	-	**1,099**
Loans to individuals – cards	4,423	(173)	(10)	1,388	(274)	20	(554)	(2,035)	-	(1)	-	**2,784**
Loans to individuals – mortgage	7,324	(11)	(27)	49	(68)	21	129	(708)	-	(270)	(72)	**6,367**
Loans to individuals – consumer	71	(3)	-	20	(6)	2	(7)	(36)	-	-	-	**41**
Loans to individuals – auto	35	-	-	-	-	-	(1)	(7)	-	-	-	**27**
Loans to individuals – other	111	-	-	-	(2)	-	-	(46)	-	-	-	**63**
Loans to small and medium enterprises (SME)	1,201	(18)	(19)	121	(78)	28	(51)	(632)	36	(22)	-	**566**
Finance lease receivables	109	(1)	(14)	25	(10)	2	(4)	(15)	-	-	-	**92**
Purchase/originated credit-impaired	**76**				**(28)**	**12**	**(8)**	**(5)**	**-**	**-**	(47)	**-**
Total loans and advances to customers, gross	**232,772**	**-**	**-**	**-**	**(28,089)**	**54,439**	**(10,300)**	**(5,353)**	**-**	**(782)**	**(119)**	**242,568**

8 Loans and Advances to Customers (Continued)

The table below presents an analysis of changes in the gross carrying amount of loans and advances to customers in 2020:

In millions of Ukrainian hryvnias	Gross carrying amount at 1 January 2020	Transfer of loans to categories: With estimate of allowance for 12 month ECL	Transfer of loans to categories: With estimate of allowance for lifetime ECL	Transfer of loans to categories: Credit-impaired loans	Derecognition of financial instruments	New recognized financial assets	Other changes in gross carrying amount	Written off	Reclassification to other financial assets	Exchange differences	Gross carrying amount at 31 December 2020
With estimate of allowance for 12 month ECL	**55,569**	**3,769**	**(9,181)**	**(256)**	**(24,139)**	**39,616**	**(14,921)**	**-**	**-**	**199**	**50,656**
Loans and finance lease managed as a separate portfolio	-	-	-	-	-	-	5	-	-	-	**5**
Corporate loans	4,357	378	(1,202)	(1)	(3,310)	3,582	(334)	-	-	177	**3,647**
Loans to individuals – cards	38,605	1,665	(3,469)	(187)	(14,498)	18,487	(4,800)	-	-	-	**35,803**
Loans to individuals – mortgage	1,712	649	(1,040)	(35)	(162)	871	(281)	-	-	-	**1,714**
Loans to individuals – consumer	3,917	26	(72)	(5)	(2,246)	7,887	(6,084)	-	-	-	**3,423**
Loans to individuals – other	33	2	(4)	-	(56)	54	(12)	-	-	-	**17**
Loans to small and medium enterprises (SME)	5,085	656	(2,273)	(24)	(3,656)	7,619	(2,724)	-	-	22	**4,705**
Finance lease receivables	1,860	393	(1,121)	(4)	(211)	1,116	(691)	-	-	-	**1,342**
With estimate of allowance for lifetime ECL	**1,399**	**(3,448)**	**9,261**	**(2,467)**	**(1,120)**	**714**	**(1,323)**	**-**	**-**	**52**	**3,068**
Corporate loans	251	(377)	1,205	(42)	(615)	329	(273)	-	-	13	**491**
Loans to individuals – cards	511	(1,406)	3,494	(2,102)	(31)	23	(106)	-	-	-	**383**
Loans to individuals – mortgage	233	(613)	1,081	(76)	(51)	11	(95)	-	-	38	**528**
Loans to individuals – consumer	10	(21)	71	(38)	(6)	2	(12)	-	-	-	**6**
Loans to individuals – auto	1	-	-	-	-	-	(1)	-	-	-	**-**
Loans to individuals – other	-	(2)	4	-	(1)	-	-	-	-	-	**1**
Loans to small and medium enterprises (SME)	122	(640)	2,283	(178)	(367)	320	(588)	-	-	1	**953**
Finance lease receivables	271	(389)	1,123	(31)	(49)	29	(248)	-	-	-	**706**
Credit-impaired loans	**238,981**	**(321)**	**(80)**	**2,723**	**(437)**	**27**	**2,531**	**(61,039)**	**(13,586)**	**10,173**	**178,972**
Loans and finance lease managed as a separate portfolio	210,579	-	-	-	(22)	-	2,727	(43,077)	(13,586)	7,706	**164,327**
Corporate loans	1,642	-	(3)	42	(11)	3	(25)	(538)	-	261	**1,371**
Loans to individuals – cards	12,774	(259)	(25)	2,289	(259)	11	(426)	(9,686)	-	4	**4,423**
Loans to individuals – mortgage	9,522	(37)	(40)	111	(58)	-	278	(4,262)	-	1,810	**7,324**
Loans to individuals – consumer	221	(5)	-	44	(16)	2	(4)	(171)	-	-	**71**
Loans to individuals – auto	249	-	-	-	(1)	-	(2)	(246)	-	35	**35**
Loans to individuals – other	465	-	-	-	(7)	-	(9)	(343)	-	5	**111**
Loans to small and medium enterprises (SME)	3,348	(16)	(10)	202	(52)	11	(4)	(2,630)	-	352	**1,201**
Finance lease receivables	181	(4)	(2)	35	(11)	-	(4)	(86)	-	-	**109**
Purchase/originated credit-impaired	**94**				**(2)**	**-**	**(6)**	**(10)**	**-**	**-**	**76**
Total loans and advances to customers, gross	**296,043**	**-**	**-**	**-**	**(25,698)**	**40,357**	**(13,719)**	**(61,049)**	**(13,586)**	**10,424**	**232,772**

8 Loans and Advances to Customers (Continued)

The analysis of the change in the allowance for expected credit losses for 2021 is as follows:

In millions of Ukrainian hryvnias	**Allowance for expected credit losses of subject at 1 January 2021**	Transfer of loans between categories: With estimate of allowance for 12 month ECL	Transfer of loans between categories: With estimate of allowance for lifetime ECL	Transfer of loans between categories: Credit-impaired loans	Derecognition of financial instruments	Newly recognized financial assets	Changes in risk parameters for the reporting period	Adjustment of interest income on impaired loans	Written off	Reclassification by types of customers	Exchange differences	Other	**Allowance for expected credit losses of subject at 31 December 2021**
Allowance for 12 month ECL	**1,112**	**633**	**(632)**	**(8)**	**(438)**	**871**	**(284)**	**-**	**-**	**-**	**-**	**-**	**1,254**
Corporate loans	65	9	(6)	-	(40)	46	(19)	-	-	(7)	-	-	**48**
Loans to individuals – cards	905	471	(527)	(8)	(327)	455	(26)	-	-	-	-	-	**943**
Loans to individuals – mortgage	27	48	(13)	-	(3)	22	(49)	-	-	-	-	-	**32**
Loans to individuals – consumer	15	7	(8)	-	(6)	39	(22)	-	-	-	-	-	**25**
Loans to individuals – auto	-	3	(2)	-	-	15	(1)	-	-	-	-	-	**15**
Loans to small and medium enterprises (SME)	79	78	(67)	-	(58)	276	(142)	-	-	7	-	-	**173**
Finance lease receivables	21	17	(9)	-	(4)	18	(25)	-	-	-	-	-	**18**
Allowance for lifetime ECL	**437**	**(473)**	**691**	**(905)**	**(106)**	**26**	**598**	**-**	**-**	**-**	**(3)**	**-**	**265**
Corporate loans	31	(9)	6	-	(31)	4	6	-	-	(3)	(2)	-	**2**
Loans to individuals – cards	174	(335)	535	(831)	(5)	2	621	-	-	-	-	-	**161**
Loans to individuals – mortgage	79	(39)	37	(10)	(11)	1	(7)	-	-	-	(1)	-	**49**
Loans to individuals – consumer	2	(5)	9	(12)	(2)	-	12	-	-	-	-	-	**4**
Loans to individuals – auto	-	(3)	2	-	-	1	2	-	-	-	-	-	**2**
Loans to small and medium enterprises (SME)	108	(66)	82	(49)	(52)	15	(18)	-	-	3	-	-	**23**
Finance lease receivables	43	(16)	20	(3)	(5)	3	(18)	-	-	-	-	-	**24**
Allowance for ECL on credit-impaired loans	**176,135**	**(160)**	**(59)**	**913**	**(618)**	**177**	**925**	**1,618**	**(5,348)**	**-**	**(666)**	**(72)**	**172,845**
Loans and finance lease managed as a separate portfolio	162,163	-	-	-	(195)	114	1,000	1,298	(1,744)	-	(314)	-	**162,322**
Corporate loans	1,334	-	-	-	(12)	-	(52)	13	(125)	(26)	(62)	-	**1,070**
Loans to individuals – cards	4,007	(136)	(8)	839	(243)	18	(46)	64	(2,035)	-	-	-	**2,460**
Loans to individuals – mortgage	7,147	(9)	(24)	10	(90)	19	30	203	(708)	-	(264)	(72)	**6,242**
Loans to individuals – consumer	67	(2)	-	11	(6)	2	(1)	4	(36)	-	-	-	**39**
Loans to individuals – auto	35	-	-	-	-	-	-	(1)	(7)	-	-	-	**27**
Loans to individuals – other	111	-	-	-	(2)	-	(3)	3	(46)	-	(1)	-	**62**
Loans to small and medium enterprises (SME)	1,166	(12)	(16)	50	(62)	22	(6)	25	(632)	26	(25)	-	**536**
Finance lease receivables	105	(1)	(11)	3	(8)	2	3	9	(15)	-	-	-	**87**
Allowance for ECL on purchased/originated credit-impaired loans	**67**	**-**	**-**	**-**	**(16)**	**1**	**(18)**	**5**	**(5)**	**-**	(1)	(47)	**(14)**
Total allowance for expected credit losses	**177,751**	**-**	**-**	**-**	**(1,178)**	**1,075**	**1,221**	**1,623**	**(5,353)**	**-**	**(670)**	**(119)**	**174,350**

8 Loans and Advances to Customers (Continued)

The analysis of the change in the allowance for expected credit losses for 2020 is as follows:

In millions of Ukrainian hryvnias	**Allowance for expected credit losses of subject at 1 January 2020**	Transfer of loans between categories: With estimate of allowance for 12 month ECL	Transfer of loans between categories: With estimate of allowance for lifetime ECL	Transfer of loans between categories: Credit-impaired loans	Derecognition of financial instruments	Newly recognized financial assets	Changes in risk parameters for the reporting period	Adjustment of interest income on impaired loans	Written off	Reclassification to other financial assets	Exchange differences	**Allowance for expected credit losses of subject at 31 December 2020**
Allowance for 12 month ECL	**878**	**1,023**	**(819)**	**(8)**	**(384)**	**647**	**(227)**	**-**	**-**	**-**	**2**	**1,112**
Corporate loans	74	11	(24)	-	(34)	48	(12)	-	-	-	2	**65**
Loans to individuals – cards	613	833	(644)	(6)	(285)	369	25	-	-	-	-	**905**
Loans to individuals – mortgage	31	95	(36)	(1)	(4)	14	(72)	-	-	-	-	**27**
Loans to individuals – consumer	37	11	(12)	-	(14)	73	(80)	-	-	-	-	**15**
Loans to small and medium enterprises (SME)	62	45	(64)	(1)	(43)	115	(35)	-	-	-	-	**79**
Finance lease receivables	61	28	(39)	-	(4)	28	(53)	-	-	-	-	**21**
Allowance for lifetime ECL	**278**	**(785)**	**885**	**(1,406)**	**(158)**	**38**	**1,581**	**-**	**-**	**-**	**4**	**437**
Loans and finance lease managed as a separate portfolio	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporate loans	11	(11)	29	(4)	(77)	13	70	-	-	-	-	**31**
Loans to individuals – cards	205	(646)	661	(1,267)	(8)	1	1,228	-	-	-	-	**174**
Loans to individuals – mortgage	22	(65)	71	(14)	(9)	1	69	-	-	-	4	**79**
Loans to individuals – consumer	4	(7)	12	(22)	(2)	-	17	-	-	-	-	**2**
Loans to small and medium enterprises (SME)	18	(31)	71	(95)	(58)	22	181	-	-	-	-	**108**
Finance lease receivables	18	(25)	41	(4)	(4)	1	16	-	-	-	-	**43**
Allowance for ECL on credit-impaired loans	**235,263**	**(238)**	**(66)**	**1,414**	**(360)**	**23**	**969**	**3,838**	**(61,039)**	**(13,586)**	**9,917**	**176,135**
Loans and finance lease managed as a separate portfolio	207,851	-	-	-	(12)	-	248	3,206	(43,077)	(13,586)	7,533	**162,163**
Corporate loans	1,598	-	(4)	3	(11)	3	(25)	51	(538)	-	257	**1,334**
Loans to individuals – cards	12,250	(188)	(17)	1,274	(224)	10	433	148	(9,686)	-	7	**4,007**
Loans to individuals – mortgage	9,117	(30)	(35)	15	(57)	-	296	352	(4,262)	-	1,751	**7,147**
Loans to individuals – consumer	215	(4)	-	22	(14)	2	(2)	19	(171)	-	-	**67**
Loans to individuals – auto	249	-	-	-	(1)	-	(1)	-	(246)	-	34	**35**
Loans to individuals – other	461	-	-	-	(7)	-	(6)	3	(343)	-	3	**111**
Loans to small and medium enterprises (SME)	3,344	(13)	(8)	96	(24)	8	13	48	(2,630)	-	332	**1,166**
Finance lease receivables	178	(3)	(2)	4	(10)	-	13	11	(86)	-	-	**105**
Allowance for ECL on purchased/originated credit-impaired loans	**80**	**-**	**-**	**-**	**(2)**	**-**	**(7)**	**6**	**(10)**	**-**	**-**	**67**
Total allowance for expected credit losses	**236,499**	**-**	**-**	**-**	**(904)**	**708**	**2,316**	**3,844**	**(61,049)**	**(13,586)**	**9,923**	**177,751**

8 Loans and Advances to Customers (Continued)

As at 31 December 2021 the reclassification between loans to legal entities and loans to small and medium enterprises (SME) is associated with the change in the Bank's customer base segmentation of legal entities in the third quarter of 2021. Information for 2020 have not changed as to the revision of the segment distribution was made in 2021. Refer to Note 22.

During 2021 loans and advances to customers, which the Bank previously wrote off as not collectible were recovered in total amount of UAH 432 million (2020: UAH 256 million), including recoveries of UAH 275 million of credit cards (2020: UAH 180 million), UAH 141 million of corporate loans (2020: UAH 73 million), UAH 11 million of mortgage loans (2020: UAH 0 million) and UAH 5 million of small and medium-sized business loans (2020: UAH 3 million). The amount of recoveries was recognized directly in profit or loss as "Impairment gain and reversal of impairment loss/(impairment loss) determined in accordance with IFRS 9". Refer to Note 18.

Economic and business sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2021		31 December 2020	
In millions of Ukrainian hryvnias	**Amount**	**%**	**Amount**	**%**
Loans and finance lease managed as a separate portfolio	163,513	67	164,332	70
Loans to individuals	61,727	25	54,967	24
Corporate loans				
Consumer	1,226	1	1,085	-
Agriculture and food industry	971	-	1,690	1
Other	2,161	1	3,322	1
Loans to small and medium enterprises (SME)				
Agriculture and food industry	3,835	2	2,344	1
Consumer	3,011	1	1,419	1
Services	1,371	1	1,337	1
Infrastructure	939	-	450	-
Other	3,814	2	1,826	1
Total loans and advances to customers, gross	**242,568**	**100**	**232,772**	**100**

As at 31 December 2021, the gross aggregate amount of loans to top 10 borrowers of the Bank, other than those managed as a separate portfolio, amounted to UAH 2,114 million (31 December 2020: UAH 2,264 million) or 3% of the gross amount of loans less managed as a separate portfolio (31 December 2020: 3%). Allowance for expected credit losses related to these borrowers was UAH 884 million (31 December 2020: UAH 986 million).

Finance lease receivables, including finance lease receivables that are managed as a separate portfolio, gross investment in the leases and their present values at 31 December 2021 are as follows:

In millions of Ukrainian hryvnias	**Due within 1 year**	**Due between 1 and 5 years**	**Due after 5 years**	**Total**
Finance lease payments receivables as at 31 December 2021	**9,033**	**2,516**	**3**	**11,552**
Unearned finance income	(360)	(270)	-	(630)
Present value of finance lease payments receivables as at 31 December 2021	**8,673**	**2,246**	**3**	**10,922**
Allowance for expected credit losses	(7,193)	(1,098)	-	(8,291)
Total finance lease receivables	**1,480**	**1,148**	**3**	**2,631**

8 Loans and Advances to Customers (Continued)

Finance lease receivables, including finance lease receivables that are managed as a separate portfolio, gross investment in the leases and their present values at 31 December 2020 are as follows:

In millions of Ukrainian hryvnias	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Finance lease payments receivables as at 31 December 2020	**7,601**	**3,692**	**12**	**11,305**
Unearned finance income	(507)	(551)	(1)	(1,059)
Present value of finance lease payments receivables as at 31 December 2020	**7,094**	**3,141**	**11**	**10,246**
Allowance for expected credit losses	(5,251)	(1,532)	(1)	(6,784)
Total finance lease receivables	**1,843**	**1,609**	**10**	**3,462**

8 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2021 is as follows:

			Loans to individuals									
In millions of Ukrainian hryvnias	**Loans and finance lease managed as a separate portfolio**	**Corporate loans**	**Cards**	**Mortgage**	**Auto**	**Consumer**	**Other**	**SME**	**Finance lease receivables – corporate customers**	**Finance lease receivables – individuals**	**Finance lease receivables – small and medium enterprises (SME)**	**Total**
With estimate of allowance for 12 month ECL												
Not overdue												
Loans to large borrowers	-	1,417	-	-	-	-	-	-	-	-	-	**1,417**
Loans to medium size borrowers	-	1,473	-	-	-	-	-	4,557	91	-	525	**6,646**
Loans to small borrowers	-	23	-	-	-	-	-	6,079	6	-	375	**6,483**
Loans between UAH 1-100 million	-	-	45	582	26	3	12	-	-	11	-	**679**
Loans less than UAH 1 million	1	-	41,746	2,508	319	5,275	8	-	-	463	-	**50,320**
Less than 30 days overdue	-	-	421	14	2	14	-	29	-	8	2	**490**
Total loans and advances to customers with estimate of allowance for 12 month ECL	**1**	**2,913**	**42,212**	**3,104**	**347**	**5,292**	**20**	**10,665**	**97**	**482**	**902**	**66,035**
With estimate of allowance for lifetime ECL												
not overdue	-	79	62	359	18	3	-	642	169	212	94	**1,638**
less than 30 days overdue	-	-	3	18	2	-	-	21	-	15	2	**61**
31 to 90 days overdue	-	-	253	10	-	7	-	9	-	4	-	**283**
Total loans and advances to customers with estimate of allowance for lifetime ECL	**-**	**79**	**318**	**387**	**20**	**10**	**-**	**672**	**169**	**231**	**96**	**1,982**
Credit-impaired loans												
not overdue	650	-	34	16	-	2	-	13	-	1	3	**719**
less than 30 days overdue	-	-	19	6	-	-	-	2	-	-	-	**27**
31 to 90 days overdue	-	136	27	3	-	-	-	2	-	-	-	**168**
91 to 180 days overdue	31	-	313	11	-	8	-	14	-	3	-	**380**
181 to 360 days overdue	-	1	485	15	-	3	-	23	1	2	3	**533**
over 361 days overdue	162,831	962	1,906	6,316	27	28	63	512	-	16	63	**172,724**
Total impaired loans and advances to customers	**163,512**	**1,099**	**2,784**	**6,367**	**27**	**41**	**63**	**566**	**1**	**22**	**69**	**174,551**
Purchase/originated credit-impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Less: Allowance for 12 month ECL	-	(48)	(943)	(32)	(15)	(25)	-	(173)	(1)	(4)	(13)	**(1,254)**
Less: Allowance for lifetime ECL	-	(2)	(161)	(49)	(2)	(4)	-	(23)	(8)	(14)	(2)	**(265)**
Less: Allowance for ECL on credit-impaired loans	(162,322)	(1,070)	(2,460)	(6,242)	(27)	(39)	(62)	(536)	-	(19)	(68)	**(172,845)**
Less: Allowance for ECL on purchased/originated credit-impaired loans	-	-	-	14	-	-	-	-	-	-	-	**14**
Total loans and advances to customers	**1,191**	**2,971**	**41,750**	**3,549**	**350**	**5,275**	**21**	**11,171**	**258**	**698**	**984**	**68,218**

8 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2020 is as follows:

In millions of Ukrainian hryvnias	Loans and finance lease managed as a separate portfolio	Corporate loans	Loans to individuals: Cards	Loans to individuals: Mortgage	Loans to individuals: Auto	Loans to individuals: Consumer	Loans to individuals: Other	SME	Finance lease receivables – corporate customers	Finance lease receivables – individuals	Finance lease receivables – small and medium enterprises (SME)	Total
With estimate of allowance for 12 month ECL												
Not overdue												
Loans to large borrowers	-	1,572	-	-	-	-	-	-	-	-	-	**1,572**
Loans to medium size borrowers	3	1,990	-	-	-	-	-	1,497	246	-	141	**3,877**
Loans to small borrowers	-	84	-	-	-	-	-	3,190	18	-	197	**3,489**
Loans between UAH 1-100 million	-	-	22	186	-	1	8	-	-	21	-	**238**
Loans less than UAH 1 million	2	-	35,311	1,517	-	3,416	9	-	-	703	-	**40,958**
Less than 30 days overdue	-	1	470	11	-	6	-	18	-	15	1	**522**
Total loans and advances to customers with estimate of allowance for 12 month ECL	**5**	**3,647**	**35,803**	**1,714**	**-**	**3,423**	**17**	**4,705**	**264**	**739**	**339**	**50,656**
With estimate of allowance for lifetime ECL												
not overdue	-	487	122	476	-	3	1	887	321	260	91	**2,648**
less than 30 days overdue	-	2	7	37	-	1	-	28	-	19	1	**95**
31 to 90 days overdue	-	2	254	15	-	2	-	38	-	12	2	**325**
Total loans and advances to customers with estimate of allowance for lifetime ECL	**-**	**491**	**383**	**528**	**-**	**6**	**1**	**953**	**321**	**291**	**94**	**3,068**
Credit-impaired loans												
not overdue	653	4	29	27	-	1	-	23	-	1	1	**739**
less than 30 days overdue	-	-	13	3	-	-	-	6	-	-	3	**25**
31 to 90 days overdue	-	185	23	3	-	-	-	11	-	-	-	**222**
91 to 180 days overdue	-	25	415	14	-	3	-	54	-	3	3	**517**
181 to 360 days overdue	103	3	933	22	-	12	-	37	-	4	2	**1,116**
over 361 days overdue	163,571	1,154	3,010	7,255	35	55	111	1,070	3	14	75	**176,353**
Total impaired loans and advances to customers	**164,327**	**1,371**	**4,423**	**7,324**	**35**	**71**	**111**	**1,201**	**3**	**22**	**84**	**178,972**
Purchase/originated credit-impaired	**-**	**-**	**-**	**74**	**1**	**-**	**-**	**1**	.	.	.	**76**
Less: Allowance for 12 month ECL	-	(65)	(905)	(27)	-	(15)	-	(79)	(6)	(7)	(8)	**(1,112)**
Less: Allowance for lifetime ECL	-	(31)	(174)	(79)	-	(2)	-	(108)	(17)	(22)	(4)	**(437)**
Less: Allowance for ECL on credit-impaired loans	(162,163)	(1,334)	(4,007)	(7,147)	(35)	(67)	(111)	(1,166)	(3)	(19)	(83)	**(176,135)**
Less: Allowance for ECL on purchased/originated credit-impaired loans	-	-	-	(65)	(1)	-	-	(1)	-	-	-	**(67)**
Total loans and advances to customers	**2,169**	**4,079**	**35,523**	**2,322**	**-**	**3,416**	**18**	**5,506**	**562**	**1,004**	**422**	**55,021**

8 Loans and Advances to Customers (Continued)

Modified and restructured loans and advances. The table below includes with estimate of allowance for lifetime ECL and credit-impaired loans assets that were modified during the period, with the related modification loss suffered by the Bank.

	31 December 2021	31 December 2020
Loans modified during the period		
Amortised cost before modification	139	887
Amortised cost after modification	138	842
Net modification loss/gain	(1)	(45)

Collateral. The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). Mortgage loans are secured by underlying housing real estate. Auto loans are secured by the underlying cars. Loans to small and medium enterprises are secured by underlying commercial real estate, equipment or commercial cars. Finance lease receivables due from individuals and from corporate customers are secured by cars and real estate. The tables below exclude card loans, consumer and part of loans to small and medium enterprises in amount of UAH 1,231 million (31 December 2020: UAH 1155 million), issue of which did not require any collateral.

The effect of collateral at 31 December 2021:

	Over-collateralised assets		Under-collateralised assets	
In millions of Ukrainian hryvnias	Carrying value of the assets, net	Fair value of collateral	Carrying value of the assets, net	Fair value of collateral
Loans and finance lease managed as a separate portfolio	1,142	2,612	49	-
Corporate loans	2,555	5,464	416	93
Loans to individuals – mortgage	3,512	10,711	37	5
Loans to individuals – auto	350	722	-	-
Loans to individuals – other	21	56	-	-
Loans to SME	6,276	17,395	3,664	664
Finance lease receivables	1,921	3,941	19	16

The effect of collateral at 31 December 2020:

	Over-collateralised assets		Under-collateralised assets	
In millions of Ukrainian hryvnias	Carrying value of the assets, net	Fair value of collateral	Carrying value of the assets, net	Fair value of collateral
Loans and finance lease managed as a separate portfolio	1,974	3,121	195	-
Corporate loans	3,285	7,736	794	4
Loans to individuals – mortgage	2,231	9,006	91	9
Loans to individuals – other	13	40	5	-
Loans to SME	2,088	6,375	2,263	1
Finance lease receivables	1,968	4,684	20	9

Upon initial recognition of loans and advances to customers, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets.

Refer to Note 27 for the estimated fair value of each class of loans and advances to customers. Geographical, maturity and interest rate analysis of loans and advances to customers is disclosed in Note 23. Information on related party balances is disclosed in Note 29.

9 Investment Securities

In millions of Ukrainian hryvnias	31 December 2021 Carrying value	Contractual rate, % per annum	Maturity	31 December 2020 Carrying value	Contractual rate, % per annum	Maturity
Investment securities at FVPL:						
Long-term government bonds with an embedded option	93,096	6.00	September 2028 - January 2032	100,750	6.00	September 2028 - January 2032
Total investment securities at FVPL	**93,096**			**100,750**		

In millions of Ukrainian hryvnias	Carrying value	EIR, % per annum	Maturity	Carrying value	EIR, % per annum	Maturity
Investment securities at FVOCI:						
Long-term government bonds	59,388	8.91 - 12.49	August 2023 - December 2032	53,155	8.91 - 11.13	May 2027 - December 2032
Medium-term government bonds	20,341	10.29 - 13.19	February 2022 - May 2026	21,084	7.91 - 12.13	January 2021 - May 2023
Medium-term government bonds denominated in foreign currency	6,810	2.45 - 6.15	April 2022 - October 2023	23,966	2.22 - 8.07	February 2021 - February 2022
Short-term government bonds	17,352	10.79 - 12.81	February 2022 - May 2022	15,808	7.87 - 11.75	February 2021 - December 2021
Short-term government bonds denominated in foreign currency	25,183	1.74 - 5.35	January 2022 - December 2022	5,183	2.46 - 3.50	January 2021 - November 2021
Total investment securities at FVOCI	**129,074**			**119,196**		
Investment securities at AC:						
Short-term government bonds	-	-	-	1,493	7.38	January 2021
Long-term bonds issued by the State Mortgage Institution	283	18.96	December 2023	282	18.95	December 2023
					-	-
Less: Allowance for expected credit losses	(176)	-	-	(60)	-	-
Total investment securities at AC	**107**			**1,715**		

Long-term government bonds with an embedded option is indexed to an increase in exchange rate of UAH to USD between weighted average monthly exchange rate at the intergroup market for a month prior the issue and a month before the maturity date. Coupon is not subject to indexation. The embedded derivative was accounted together with the host contract.

As at 31 December 2021 long-term bonds issued by the State Mortgage Institution for the AC in the amount of UAH 283 million (as at 31 December 2020: in the amount of UAH 282 million) were classified as impaired financial assets (at 31 December 2020: with an estimate of credit losses within the term of the financial instrument).

All other investment securities at FVOCI and AC were classified as financial assets with estimate of allowance for 12 month ECL as at 31 December 2021 and 2020.

Long-term government debt securities under SVISD were pledged under the contract of responsible storage of cash of the NBU in the Bank's cash desks in the amount of UAH 17,350 million (31 December 2020: UAH 17,880 million).

Long-term government debt securities under SVISD were pledged under the contract of responsible storage of cash of the NBU in the Bank's cash desks in the amount of UAH 2,504 million (31 December 2020: none).

10 Property, Plant and Equipment and Intangible Assets Other than Goodwill

In millions of Ukrainian hryvnias	Premises	Lend	Computers	Motor vehicles	Office furniture and equipment	Electronic systems	Other	Intangible assets	Total
Carrying amount at 1 January 2020	**1,317**	**8**	**1,972**	**244**	**310**	**120**	**145**	**648**	**4,764**
Cost or revalued cost at 1 January 2020	1,330	8	4,341	431	961	313	213	887	8,484
Accumulated depreciation and amortisation at 1 January 2020	(13)	-	(2,369)	(187)	(651)	(193)	(68)	(239)	(3,720)
Additions	110	-	1,086	43	188	60	199	538	2,224
Disposals of cost or revalued cost	(20)	-	(92)	(1)	(128)	(10)	(36)	(8)	(295)
Disposals of accumulated depreciation and amortisation	1	-	89	-	46	9	32	-	177
Depreciation and amortisation charge	(40)	-	(659)	(45)	(191)	(22)	(39)	(225)	(1,221)
Impairment charge to profit or loss	(60)	-	-	-	-	-	-	-	(60)
Reversal of impairment charge to profit or loss	8	-	-	-	-	-	-	-	8
Revaluation recognized in other comprehensive income included:	134	3	-	-	-	2	-	-	139
- initial cost adjustment	(39)	-	-	-	-	(3)	-	-	(42)
- amortisation adjustment	39	-	-	-	-	3	-	-	42
Reclassification to investment properties	189	-	-	-	-	-	-	-	189
Reclassification to/from assets held for sale	(31)	-	-	-	-	-	-	-	(31)
Carrying amount at 31 December 2020	**1,608**	**11**	**2,396**	**241**	**225**	**159**	**301**	**953**	**5,894**
Cost or revalued cost at 31 December 2020	1,621	11	5,335	473	1,021	362	376	1,417	10,616
Accumulated depreciation and amortisation at 31 December 2020	(13)	-	(2,939)	(232)	(796)	(203)	(75)	(464)	(4,722)
Additions	56	-	412	30	438	68	118	627	1,749
Disposals of cost or revalued cost	(3)	-	(258)	(7)	(121)	(19)	(27)	(16)	(451)
Disposals of accumulated depreciation and amortisation	3	-	225	7	104	17	21	4	381
Depreciation and amortisation charge	(45)	-	(651)	(41)	(458)	(29)	(95)	(277)	(1,596)
Impairment charge to profit or loss	(65)	-	-	-	-	-	-	-	(65)
Revaluation recognized in other comprehensive income included:	(32)	-	-	-	-	-	-	-	(32)
- initial cost adjustment	(45)	-	-	-	-	-	-	-	(45)
- amortisation adjustment	45	-	-	-	-	-	-	-	45
Reclassification to/from assets held for sale	(6)	-	-	(1)	-	-	-	-	(7)
Reclassifications (initial cost)	14	(1)	4	(3)	112	(1)	(127)	(2)	(4)
Reclassifications (depreciation)	(2)	-	1	6	(1)	(1)	1	(1)	3
Carrying amount at 31 December 2021	**1,528**	**10**	**2,129**	**232**	**299**	**194**	**192**	**1,288**	**5,872**
Cost or revalued cost at 31 December 2021	1,540	10	5,493	492	1,450	410	340	2,026	11,761
Accumulated depreciation and amortisation at 31 December 2021	(12)	-	(3,364)	(260)	(1,151)	(216)	(148)	(738)	(5,889)

As at 31 December 2021, intangible assets include internally generated intangible assets with the carrying amount of UAH 846 million (31 December 2020: UAH 574 million).

As at 31 December 2021, «other» includes leasehold improvements with the carrying amount of UAH 191 million (31 December 2020: UAH 174 million).

In December 2021 premises were revalued at fair value. The valuation was carried out by independent evaluators that hold a suitable professional qualification and have recent experience in valuation of assets of similar location and category. The basis of valuation of premises was observable market prices.

As at 31 December 2021, included in carrying value of premises was UAH 973 million of revaluation surplus, on which a deferred tax liability of UAH 151 million was recognised (31 December 2020: UAH 1 070 million and UAH 140 million respectively).

10 Property, Plant and Equipment and Intangible Assets Other than Goodwill (Continued)

At 31 December 2021 the carrying amount of premises would have been UAH 1,490 million (31 December 2020: UAH 1,449 million) had the assets been carried at cost less depreciation.

As at 31 December 2021, the cost or revaluation of fully depreciated fixed assets and intangible assets that were still in use was UAH 2,523 million (31 December 2020: UAH 2,093 million).

Right-of-use assets

In millions of Ukrainian hryvnias	Right-of-use assets (premises)	Right-of-use assets (other)	Total right-of-use assets
Carrying amount at 1 January 2019	**1,712**	**4**	**1,716**
Cost at 1 January 2019	**2,194**	**6**	**2,200**
Accumulated depreciation at 1 January 2019	**(482)**	**(2)**	**(484)**
Additions	680	-	**680**
Disposals:			
- cost	(603)	(3)	**(606)**
- accumulated depreciation	253	2	**255**
Depreciation charge	(568)	(2)	**(570)**
Modification of assets:			
- cost	351	1	**352**
- accumulated depreciation	(79)	-	**(79)**
Carrying amount at 1 January 2020	**1,746**	**2**	**1,748**
Cost at 1 January 2021	**2,622**	**4**	**2,626**
Accumulated depreciation at 1 January 2021	**(876)**	**(2)**	**(878)**
Additions	320	-	**320**
Disposals:			
- cost	(512)	(2)	**(514)**
- accumulated depreciation	238	1	**239**
Depreciation charge	(586)	(1)	**(587)**
Modification of assets:			
- cost	464	-	**464**
- accumulated depreciation	(180)	-	**(180)**
Carrying amount at 31 December 2021	**1,490**	**0**	**1,490**
Cost at 31 December 2021	**2,894**	**2**	**2,896**
Accumulated depreciation at 31 December 2021	**(1,404)**	**(2)**	**(1,406)**

Modification of an asset includes all types of contract modifications, except those resulting in recognition of a new asset.

11 Other Financial Assets

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Guarantee deposits	2,325	2,182
Settlement with clients	340	651
Accrued income receivable	191	151
Overdue debt by the State Mortgage Institution	-	697
Other	38	188
Less: Allowance for expected credit losses	(250)	(421)
Total other financial assets	**2,644**	**3,448**

In 2021 and 2020 according to IFRS 9, the Bank applied a simplified approach for estimation of expected credit losses on receivables. As at 31 December 2021 financial assets were classified as assets with an assessment of credit losses within the term of the financial instrument (as at 31 December 2020: with an assessment of credit losses within the term of the financial instrument other than the impaired overdue indebtedness of the State Mortgage Institution).

In April 2021, the overdue debt of the State Mortgage Institution was fully repaid by Ministry of Finance of Ukraine in accordance with the terms of the goverment guarantee.

The table below presents an analysis of changes in the allowance for expected credit losses of other financial assets at 31 December 2021:

In millions of Ukrainian hryvnias	Allowance for expected credit losses of subject at 1 January 2021	Reclassification from loans and advances to customers	Written off	Changes allowance for expected credit losses for the reporting period	Exchange differences	Allowance for expected credit losses of subject at 31 December 2021
Guarantee deposits	**49**	-	-	(7)	(2)	**40**
Settlement with clients	**55**	-	-	23	42	**120**
Accrued income receivable	**101**	-	-	(11)	-	**90**
Other	**216**	-	(211)	-	(5)	**-**
Total allowance for expected credit losses	**421**	**-**	**(211)**	**5**	**35**	**250**

The table below presents an analysis of changes in the allowance for expected credit losses of other financial assets at 31 December 2020:

In millions of Ukrainian hryvnias	Allowance for expected credit losses of subject at 1 January 2020	Reclassification from loans and advances to customers	Written off	Changes allowance for expected credit losses for the reporting period	Exchange differences	Allowance for expected credit losses of subject at 31 December 2020
Guarantee deposits	**37**	-	-	4	8	**49**
Settlement with clients	**191**	-	(50)	(95)	9	**55**
Receivables from transactions with other financial instruments	**-**	13,586	(13,586)	-	-	**-**
Accrued income receivable	**175**	-	-	(74)	-	**101**
Other	**206**	-	-	-	10	**216**
Total allowance for expected credit losses	**609**	**13,586**	**(13,636)**	**(165)**	**27**	**421**

12 Other Non-financial Assets

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Receivables on conversion of liabilities to equity	8,881	8,881
Repossessed collateral	615	1,228
Inventory	389	513
Precious metals	123	76
Prepayments for services	78	42
Prepaid taxes other than income tax	65	35
Other	365	277
Less: Allowance for other assets impairment	(803)	(924)
Total other non-financial assets	**9,713**	**10,128**

Receivables originated on conversion of liabilities to equity of UAH 8,881 million (31 December 2020: UAH 8,881 million) were recorded by the Bank as a result of conversion of customer accounts to equity at the nationalisation in 2016. Management of the Bank expects to recover this amount less allowance in full.

13 Customer Accounts

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Individuals		
- Term deposits	88,128	102,374
- Current/demand accounts	141,222	125,330
Legal entities		
- Term deposits	12,487	14,813
- Current/settlement accounts	83,224	69,935
Government organizations		
- Current/settlement accounts	242	256
Total customer accounts	**325,303**	**312,708**

As at 31 December 2021 term deposits of legal entities and individuals included UAH 7,845 million and UAH 109 million, respectively (31 December 2020: UAH 8,136 million and UAH 113 million), and current accounts of legal entities and individuals included UAH 237 million and UAH 34 million, respectively (31 December 2020: UAH 252 million and UAH 36 million) of customer accounts of Cyprus Branch, that were subject to conversion of liabilities to equity at nationalisation in 2016 (Note 26). These funds were not transferred by the Cyprus branch due to the prohibition of the Central Bank of Cyprus on interbank settlements with the Bank and on-going litigations in respect of these amounts. As at 31 December 2021 Bank did not complete an analysis of whether criteria for derecognition were met in respect of certain amounts due to customers that were subject to conversion into equity.

The return of a term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only in cases provided for by a deposit agreement.

13 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

	31 December 2021		31 December 2020	
In millions of Ukrainian hryvnias	Amount	%	Amount	%
Individuals	229,350	71	227,704	73
Services	39,337	12	37,075	12
Manufacturing	22,831	7	19,963	6
Trade	22,219	7	19,093	6
Agriculture	4,583	1	3,420	1
Transport and communication	3,218	1	2,632	1
Machinery	1,626	-	1,055	-
Government organizations	242	-	256	-
Other	1,897	1	1,510	1
Total customer accounts	**325,303**	**100**	**312,708**	**100**

At 31 December 2021 included in customer accounts were deposits of UAH 1,302 million (31 December 2020: UAH 989 million) held as collateral for loans and advances to customers exposure of UAH 1,302 million (31 December 2020: UAH 989 million), issued by the Bank.

Fair value of each class of customer accounts is disclosed in Note 27. Geographical, maturity and interest rate analysis of customer accounts is disclosed in Note 23. Information on related party balances is disclosed in Note 29.

14 Other Financial Liabilities

Other financial liabilities comprise the following:

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Lease liabilities	1,593	1,855
Settlements	1,057	1,014
Accounts payable	558	603
Other	562	587
Total other financial liabilities	**3,770**	**4,059**

14 Other Financial Liabilities (Continued)

The table below shows change in the credit related commitments as at 31 December 2021:

In millions of Ukrainian hryvnias	Amount at 1 January 2021	Transfer to category: With estimate of allowance for 12 month ECL	Transfer to category: With estimate of allowance for lifetime ECL	Transfer to category: Credit-impaired	New recognized liabilities	Derecognition of liabilities	Other changes in liabilities for the reporting period	Exchange differences	Amount at 31 December 2021
With estimate of allowance for 12 month ECL									
Guarantees issued	658	21	(31)	-	1,125	(1,009)	(5)	(19)	740
Avals granted	21	7	(8)	-	27	(37)	2	-	12
Undrawn loan commitments	117,112	1,096	(1,082)	(115)	32,431	(24,070)	27,312	(18)	152,666
With estimate of allowance for lifetime ECL									
Guarantees issued	18	(21)	31	-	16	(36)	-	-	8
Avals granted	25	(7)	8	-	6	(21)	(7)	-	4
Undrawn loan commitments	683	(1,074)	1,087	(9)	529	(850)	30	-	396
Credit-impaired									
Guarantees issued	56	-	-	-	49	(49)	-	(6)	50
Undrawn loan commitments	78	(22)	(5)	124	34	(148)	9	-	70
Total loan commitments and financial guarantee contracts, gross	**118,651**	**-**	**-**	**-**	**34,217**	**(26,220)**	**27,341**	**(43)**	**153,946**

14 Other Financial Liabilities (Continued)

The table below shows change in the credit related commitments as at 31 December 2020:

In millions of Ukrainian hryvnias	Amount at 1 January 2020	Transfer to category: With estimate of allowance for 12 month ECL	Transfer to category: With estimate of allowance for lifetime ECL	Transfer to category: Credit-impaired	New recognized liabilities	Derecognition of liabilities	Other changes in liabilities for the reporting period	Exchange differences	Amount at 31 December 2020
With estimate of allowance for 12 month ECL									
Guarantees issued	484	57	(37)	-	845	(649)	(85)	43	658
Avals granted	16	27	(11)	-	26	(38)	1	-	21
Undrawn loan commitments	96,319	877	(1,423)	(80)	17,737	(20,699)	24,325	56	117,112
With estimate of allowance for lifetime ECL									
Guarantees issued	343	(57)	37	-	89	(388)	(6)	-	18
Avals granted	40	(27)	11	-	93	(26)	(66)	-	25
Undrawn loan commitments	376	(861)	1,425	(10)	464	(898)	186	1	683
Credit-impaired									
Guarantees issued	61	-	-	-	68	(89)	1	15	56
Undrawn loan commitments	97	(16)	(2)	90	35	(133)	7	-	78
Total loan commitments and financial guarantee contracts, gross	**97,736**	**-**	**-**	**-**	**19,357**	**(22,920)**	**24,363**	**115**	**118,651**

14 Other Financial Liabilities (Continued)

The table below presents the analysis of changes in the provision for expected credit losses on credit related commitments as at 31 December 2021:

In millions of Ukrainian hryvnias	Amount at 1 January 2021	Transfer to category: With estimate of allowance for 12 month ECL	Transfer to category: With estimate of allowance for lifetime ECL	Transfer to category: Credit-impaired	New recognized liabilities	Derecognition of liabilities	Other changes in liabilities for the reporting period	Exchange differences	Amount at 31 December 2021
With estimate of allowance for 12 month ECL									
Guarantees issued	13	-	-	-	20	(15)	(4)	-	14
Undrawn loan commitments	252	6	(3)	-	73	(52)	29	-	305
With estimate of allowance for lifetime ECL									
Guarantees issued	1	-	-	-	-	(2)	1	-	-
Undrawn loan commitments	10	(6)	3	-	6	(8)	1	-	6
Credit-impaired									
Guarantees issued	53	-	-	-	49	(48)	-	(6)	48
Total provisions for loan commitments and financial guarantee contracts	**329**	**-**	**-**	**-**	**148**	**(125)**	**27**	**(6)**	**373**

14 Other Financial Liabilities (Continued)

The table below presents the analysis of changes in the provision for expected credit losses on credit related commitments as at 31 December 2020:

In millions of Ukrainian hryvnias	Amount at 1 January 2020	Transfer to category: With estimate of allowance for 12 month ECL	Transfer to category: With estimate of allowance for lifetime ECL	Transfer to category: Credit-impaired	New recognized liabilities	Derecognition of liabilities	Other changes in liabilities for the reporting period	Exchange differences	Amount at 31 December 2020
With estimate of allowance for 12 month ECL									
Guarantees issued	8	4	(1)	-	10	(3)	(6)	1	13
Undrawn loan commitments	185	7	(4)	-	44	(42)	62	-	252
With estimate of allowance for lifetime ECL									
Guarantees issued	31	(4)	1	-	-	(29)	2	-	1
Undrawn loan commitments	6	(7)	4	-	2	(7)	12	-	10
Credit-impaired									
Guarantees issued	60	-	-	-	14	(21)	-	-	53
Total provision for expected credit losses for credit related commitments	**290**	**-**	**-**	**-**	**70**	**(102)**	**70**	**1**	**329**

Refer to Note 27 for the disclosure of the fair value of each class of other financial liabilities. Geographical, maturity and interest rate analyses of other financial liabilities are disclosed in Note 23.

15 Provisions and Other Non-financial Liabilities

Provisions and non-financial liabilities comprise the following:

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Provision for legal cases	2,604	9,165
Provision associated with cessation of operations in Crimea	674	1,193
Accrued expenses on unused vacation days	515	428
Payables for contributions to Deposit Guarantee Fund	513	500
Accrued salaries and bonuses	432	791
Taxes other than income tax	216	261
Other	119	118
Total provisions and other non-financial liabilities	**5,073**	**12,456**

The table below shows change in the provision for legal cases during 2021 year:

In millions of Ukrainian hryvnias	Provision for legal cases at 1 January 2021	Using the provision during the year	Changes provision for legal cases for the reporting period	Exchange differences	Provision for legal case at 31 December 2021
Provision associated with cessation of operations in Crimea	**1,193**	(250)	(269)	-	**674**
Provision for legal cases	**9,165**	(77)	(6,195)	(289)	**2,604**
Total provision for legal cases	**10,358**	**(327)**	**(6,464)**	**(289)**	**3,278**

The table below shows change in the provision for legal cases during 2020 year:

In millions of Ukrainian hryvnias	Provision for legal cases at 1 January 2021	Using the provision during the year	Changes provision for legal cases for the reporting period	Exchange differences	Provision for legal case at 31 December 2021
Provision associated with cessation of operations in Crimea	**1,436**	(501)	258	-	**1,193**
Provision for legal cases	**639**	(147)	8,281	392	**9,165**
Total provision for legal cases	**2,075**	**(648)**	**8,539**	**392**	**10,358**

As a result of the final decisions in favor of the Bank made in 2021 on claims against the Bank related to the exchange of unencumbered monetary obligations of the Bank to related parties for shares of additional issue of the Bank in December 2016, the provision was released in the amount of UAH 7,169 million (equivalent USD 263 million).

16 Share Capital and Other Reserve Funds

Share Capital

The nominal registered amount of the Bank's issued share capital at 31 December 2021 was UAH 206,060 million (31 December 2020: UAH 206,060 million). The total authorised number of ordinary shares was 735.93 million shares (31 December 2020: 735.93 million shares) with a par value of UAH 280 per share (31 December 2020: UAH 280 per share). All issued ordinary shares are fully paid and registered. Each ordinary share carries one vote.

As at 31 December 2021 the Government of Ukraine represented by the Cabinet of Ministers of Ukraine is the ultimate controlling party of the Bank (31 December 2020: represented by the Cabinet of Ministers of Ukraine).

16 Share Capital and Other Reserve Funds (Continued)

Result from transactions with the shareholder

On 31 December 2021 and 2020, the result from transactions with a shareholder was UAH 12,174 million and comprised of net gain on initial recognition of domestic government bonds received from the Shareholder as contributions to the share capital in 2016–2017.

General reserves and other funds

General reserves and other funds are established in accordance with the requirements of the Ukrainian legislation, amounted to UAH 9,696 million as at 31 December 2021 (31 December 2020: UAH 8,481 million). The Bank is required to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year is calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders of not less than 5% of current period profit until reserve capital will reach 25% of regulatory capital of the Bank.

Dividends

In 2021 in accordance with the decision of the Cabinet of Ministers of Ukraine on the mandatory distribution of 80% of the profits of state-owned organizations and the decision the Cabinet of Ministers of Ukraine on the approval of the annual financial statements of the Bank for 2020 year, the Bank paid dividends in the amount of UAH 19,442 million (in 2020: UAH 24,457 million) and, according to the Tax Code of Ukraine, the Bank paid UAH 3,318 million (in 2020: UAH 4,403 million) of income tax advance payment.

17 Interest Income and Expense

In millions of Ukrainian hryvnias	2021	2020
Interest income		
Interest income at effective interest rate		
Loans and advances to individuals	17,949	17,896
Investment securities at FVOCI	9,596	7,194
Loans to small and medium enterprises (SME)	1,837	1,160
Due from banks	1,190	1,446
Loans and advances to legal entities	238	630
Investment securities at AC	55	191
Cash and cash equivalents and mandatory reserves	5	30
Total interest income at effective interest rate	**30,870**	**28,547**
Other interest income		
Investment securities at FVPL	4,440	4,453
Finance lease	544	563
Total interest income at effective interest rate	**4,984**	**5,016**
Total interest income	**35,854**	**33,563**
Interest expense		
Term deposits of individuals	4,611	7,428
Current/settlement accounts	1,519	3,419
Lease liabilities	209	267
Term deposits of legal entities	197	574
Due to the NBU	-	263
Due to banks and other financial institutions	-	4
Other	1	6
Total interest expense	**6,537**	**11,961**
Net interest income	**29,317**	**21,602**

Information on interest income and expense from transactions with related parties is disclosed in Note 29.

The change in the classification of interest income on loans and advances to legal entities and loans and advances to small and medium enterprises (SME) is due to the change in the Bank's distribution of the client base of legal entities in the third quarter of 2021. Refer to Note 22.

18 Charge for Impairment

In millions of Ukrainian hryvnias	Note	2021	2020
(Increase)/decrease in charge for impairment:			
Cash and cash equivalents	6	(1)	1
Investment securities at AC	9	116	72
Loans and advances to customers	8	686	1,863
Credit related commitments	14	50	38
Other financial assets	11	5	(165)
Total (impairment gain and reversal of impairment loss) impairment loss determined in accordance with IFRS 9		**856**	**1,809**

19 Fee and Commission Income and Expense

In millions of Ukrainian hryvnias	2021	2020
Commission income		
Settlement transactions	9,982	7,071
Acquiring transactions	9,018	6,569
Cash withdrawal	7,130	5,978
International payment systems	6,625	5,523
Cash transactions	78	69
Other	2,224	2,439
Total commission income	**35,057**	**27,649**
Commission expenses		
International payment systems	11,277	8,417
Settlement transactions	389	304
Cash transactions	174	167
Total commission expense	**11,840**	**8,888**
Net fee and commission income	**23,217**	**18,761**

Information on fee and commission income from transactions with related parties is disclosed in Note 29.

20 Administrative and Other Operating Expenses

In millions of Ukrainian hryvnias	2021	2020
Professional services	2,585	2,116
Contributions to Deposit Guarantee Fund	2,052	1,842
Maintenance of fixed assets	918	896
Taxes other than on income	721	661
Utilities and household expenses	622	557
Mail and telecommunication	517	451
Security	320	285
Rent	288	254
Transportation	177	108
Advertising and marketing	151	110
Reversal of impairment of repossessed collateral	117	119
Impairment charge of premises and intangible assets	65	60
Insurance expenses	36	74
(Reversal of provision) provision for legal cases	(6,464)	8,539
Other	243	609
Total other administrative and operational expenses	**2,348**	**16,681**

20 Administrative and Other Operating Expenses (Continued)

Rent expenses includes expenses on unidentifiable assets in the amount of UAH 198 million (2020: UAH 167 million), non-recoverable VAT (and therefore not included in the right-to-use assets and financial liabilities) in the amount of UAH 48 million (2020: UAH 44 million) and other variable rental expenses in the amount of UAH 42 million (2020: UAH 43 million).

Information on administrative and other operating expenses from transactions with related parties is disclosed in Note 29.

In 2020, Ernst & Young Audit Services LLC provided services for the first stage of the Bank's sustainability assessment.

In 2021, Ernst & Young LLC provided advisory services of conduction of a high-level survey on professional insurance personal income tax taxation in the foreign countries, namely member states of the Organisation for Economic Co-operation and Development (38 jurisdictions).

21 Income Taxes

In millions of Ukrainian hryvnias	2021	2020
Current tax	17	(6)
Income tax expense (income tax benefit)	**17**	**(6)**

In 2021 the income tax rate applicable to the Bank's income was 18% (2020: 18%).

As at 31 December 2021 the current tax assets consisted of UAH 9,978 million of income tax advance payment (payment of dividends) (2020: UAH 6,475 million and 185 million of income tax overpayment).

In millions of Ukrainian hryvnias	2021	2020
Profit before tax	**35,067**	**24,296**
Theoretical expense at statutory rate (2021: 18%; 2020: 18%)	6,312	4,373
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income recognised for tax purposes only	-	59
- Non-deductible expenses	63	11,908
- Income that is not subject to taxation	(1,215)	-
Change in unrecognised deferred tax assets	(3,179)	(16,346)
Changes in estimates of permanent and temporary differences	(1,964)	-
Income tax expense (income tax benefit)	**17**	**(6)**

21 Income Taxes (Continued)

Differences between IFRS and statutory taxation regulations in Ukraine and other countries give rise to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below:

In millions of Ukrainian hryvnias	1 January 2021	Credited to profit or loss	Credited directly to other compre-hensive income	31 December 2021
Tax effect of deductible temporary differences				
Allowance for expected credit losses	59	8	-	67
Tax loss carried forward	4,157	(3,227)	-	930
Fixed assets - other differences (depreciation method and historical cost)	50	40	-	90
Investment securities at FVOCI	528	-	330	858
Gross deferred tax asset	**4,794**	**(3,179)**	**330**	**1,945**
Less unrecognised deferred tax assets	(4,794)	3,179	(330)	(1,945)
Recognised deferred tax asset	-	-	-	-
Tax effect of taxable temporary differences				
Investment securities at FVOCI	(6)	-	(2)	(8)
Fixed assets (revaluation of premises)	(140)	(17)	6	(151)
Net deferred tax liability	**(146)**	**(17)**	**4**	**(159)**

In millions of Ukrainian hryvnias	1 January 2019	(Charged)/ credited to profit or loss	Credited directly to other compre-hensive income	31 December 2020
Tax effect of deductible temporary differences				
Allowance for expected credit losses	52	7	-	59
Tax loss carried forward	20,520	(16,363)	-	4,157
Fixed assets - other differences (depreciation method and historical cost)	40	10	-	50
Investment securities at FVOCI	229	-	299	528
Gross deferred tax asset	**20,841**	**(16,346)**	**299**	**4,794**
Less unrecognised deferred tax assets	(20,841)	16,346	(299)	(4,794)
Recognised deferred tax asset	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences				
Investment securities available-for-sale	-	-	(6)	(6)
Fixed assets (revaluation of premises)	(121)	6	(25)	(140)
Net deferred tax liability	**(121)**	**6**	**(31)**	**(146)**

22 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Management Board of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Bank identifies the following main segments of banking activity:

Retail banking – representing private banking services, private customer current accounts, including through electronic sales channels, deposits, credit cards, consumer loans including in cooperation with commercial network and mortgages.

In the 3rd quarter of 2021, the Bank completed the current transformation of the corporate banking business segment by changing the structure of customer distribution by revenue. At the same time, different service models have been introduced for different types of clients (micro, small, medium or corporate level), but uniform intra-bank policies and management methods will be applied. For the purposes of these statements, all operating segments of business customers are shown as a separate reportable segment of Business Banking based on similarity. This business segment includes the provision of banking services to private entrepreneurs or legal entities, servicing current accounts, attracting deposits, granting loans and other types of financing, and operations with foreign currency. This segment also includes banking services to provide the ability to pay using POS terminals.

Capital Markets (formerly Treasury) – representing financial instruments trading and representing interbank loans, deposits, foreign currency exchange operations.

Assets and liabilities managed as a separate portfolio - this segment includes operations that are related to the former owners of the Bank and are currently recognized as problematic. According to the Management, this portfolio has similar indicators of credit risk, regardless of the classification by industry and line of business at the date of issuance of such loans. The segment also includes all assets, liabilities and related income, expenses of the Cyprus branch.

Capital management and other centralized management - this segment includes facilities managed centrally cash, correspondent accounts, fixed assets, bank-wide currency position, shareholder instruments (capital, provided by the state to increase the share capital), NBU refinancing, and other assets and liabilities and related income / expenses, not affected business units. The assets and liabilities of the business unit, and the corresponding income and expenses of which form the segment, define the intra-segment allocation of resource charges (transfer pricing system – «TP»). The TP system is based on the determination of transfer prices, taking into account the actual value of the Bank's liabilities; market trends and relevant market indicators; term premium (higher price for a longer term); the cost of the liquidity buffer; target structure of the balance sheet and strategy of the Bank.

Domestic government loan bonds provided by the state to increase the authorized capital include all securities classified as balance sheet investment securities at fair value through profit or loss and partially investment securities at fair value through other comprehensive income namely long-term government debt securities with maturity dates of which November 2027-December 2032.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income or expenses that are included in operating income (income from other segments/expenses for other segments).

The overall result of the segment includes locations of all-bank administrative expenses, which are shown in the article "Administrative and other operating expenses". These allocations include the redistribution of all costs of the central management function, including personnel costs, depreciation and other operating costs.

(b) Factors that management used to identify the reportable segments

The Bank's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

22 Segment Analysis (Continued)

(c) Measurement of operating segment profit or loss, assets and liabilities

Assets and liabilities are assigned to the segment based on the principle of the ability to manage the respective assets and liabilities. For each segment of banking activity, the CODM analyzes the net interest income adjusted for the result of operations between segments (income from other segments/expenses for other segments). The intra-segment allocation of the resource fee is carried out at internal rates approved by CUAO, taking into account market interest rates, loan maturity under the agreement and actual data on the maturity of customer funds.

Fee and commission income and expenses include direct segment commissions and the result of internal redistribution of income and expenses between segments.

The overall result of the segment includes allocations of general bank administrative expenses.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended at 31 December 2021 is set out below:

In millions of Ukrainian hryvnias	Retail banking	Business Banking	Assets and liabilities managed as a separate portfolio	Capital Markets	Capital management and other centralized management	Total reportable segments
Total reportable segment assets	**53,951**	**15,496**	**12,452**	**108,703**	**210,694**	**401,296**
Cash and cash equivalents	-	-	-	4,672	48,163	52,835
Loans and advances to banks	-	31	-	26,212	-	26,243
Loans and advances to customers	51,644	15,386	1,188	-	-	68,218
Investment securities including:	-	-	-	77,739	144,538	222,277
- at fair value through profit or loss	-	-	-	-	93,096	93,096
- at fair value through other comprehensive income	-	-	-	77,632	51,442	129,074
- at amortized cost	-	-	-	107	-	107
Investment properties	-	-	1,989	-	-	1,989
Total reportable segment liabilities	**231,232**	**88,252**	**10,965**	**640**	**3,592**	**334,681**
Due to banks and other financial institutions	-	-	-	3	-	3
Customer accounts	228,686	88,074	8,543	-	-	325,303

22 Segment Analysis (Continued)

Segment information for 12 months 2021 as it was analysed by the CODM is set below:

In millions of Ukrainian hryvnias	Retail banking	Business Banking	Assets and liabilities managed as a separate portfolio	Capital Markets	Capital management and other centralized management	Total reportable segments
2021						
Interest income	18,162	2,179	232	5,543	9,738	35,854
Interest expense	(6,278)	(242)	(2)	(15)	-	(6,537)
Revenues from/(expenses on) other segments	**5,715**	**1,243**	**(770)**	**(3,184)**	**(3,004)**	**-**
Net interest income	**17,599**	**3,180**	**(540)**	**2,344**	**6,734**	**29,317**
Fee and commission expense	14,033	9,266	3	71	(156)	23,217
Net increase (decrease) from financial instruments at fair value through profit or loss operations	-	-	-	-	(7,666)	(7,666)
Net increase (decrease) from trading in foreign currencies	2,191	744	3	287	1	3,226
Net increase (decrease) from foreign exchange translation	-	-	593	(158)	582	1,017
Net increase (decrease) from debt financial instruments at fair value through other comprehensive income operations	-	-	-	32	-	32
Net increase (decrease) from revaluation of investment property	-	-	(873)	-	-	(873)
Other income	708	37	374	(1)	168	1,286
Employee benefits expense	(2,816)	(782)	(64)	(824)	(4,418)	(8,904)
Depreciation and amortisation expense	(707)	(287)	(9)	(75)	(1,105)	(2,183)
Administrative and other operating expenses including:	(9,724)	(2,303)	3,577	717	5,385	(2,348)
- direct costs of the segment in addition to personnel costs and depreciation	(3,334)	(432)	(2,884)	(277)	(1,885)	(8,812)
- redistribution of costs of centralized functions to business segments	(6,361)	(1,871)	(27)	994	7,265	-
- reversal of provision (recognition of provision) for legal cases	(29)	-	6,488	-	5	6,464
Other gains (losses) - losses from modification of financial assets	(138)	(11)	-	-	38	(111)
Gains (losses) on initial recognition of financial assets at interest rates above or below market rates	(164)	-	-	-	-	(164)
Gain (loss) arising from derecognition of financial assets measured at amortised cost	4	6	-	67	-	77
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(97)	286	(926)	(115)	(4)	(856)
Profit before tax	20,889	10,136	2,138	2,345	(441)	35,067
Income tax expense (income tax benefit)	-	-	-	-	(17)	(17)
Segment result	**20,889**	**10,136**	**2,138**	**2,345**	**(458)**	**35,050**

22 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended at 31 December 2020 is set out below:

In millions of Ukrainian hryvnias	Retail banking	SME	Trading enterprises banking	Assets and liabilities managed as a separate portfolio	Treasury	Corporate banking	Capital management and other centralized management	Total reportable segments
Total reportable segment assets	**41,017**	**5,939**	**3,419**	**14,979**	**101,009**	**4,821**	**211,341**	**382,525**
Cash and cash equivalents and mandatory reserves	-	-	-	-	7,536	-	42,375	49,911
Due from banks	-	-	-	-	25,006	53	-	25,059
Loans and advances to customers	38,870	5,928	3,416	2,164	-	4,643	-	55,021
Investment securities including:	-	-	-	-	67,758	-	153,903	221,661
Investment securities at FVPL	-	-	-	-	-	-	100,750	100,750
Investment securities at FVOCI	-	-	-	-	66,043	-	53,153	119,196
Investment securities at AC	-	-	-	-	1,715	-	-	1,715
Investment properties	-	-	-	2,933	-	-	-	2,933
Total reportable segment liabilities	**229,839**	**64,394**	**8**	**17,373**	**721**	**12,334**	**5,031**	**329,700**
Due to banks and other financial institutions	-	-	-	-	2	-	-	2
Customer accounts	227,239	64,240	-	8,958	-	12,271	-	312,708

Segment information for 12 months 2020 before reclassification, described in Note 3, as it was analysed by the person responsible for making operational decisions is set below:

In millions of Ukrainian hryvnias	Retail banking	SME	Trading enterprises banking	Assets and liabilities managed as a separate portfolio	Treasury	Corporate banking	Capital management and other centralized management	Total reportable segments
2020								
Interest income	17,233	1,301	924	56	3,542	734	9,773	33,563
Interest expense	(10,498)	(736)	(5)	(25)	(162)	(266)	(269)	(11,961)
Revenues from/(expenses on) other segments	**9,421**	**1,781**	**(306)**	**(848)**	**(2,306)**	**98**	**(7,840)**	**-**
Net interest income	**16,156**	**2,346**	**613**	**(817)**	**1,074**	**566**	**1,664**	**21,602**
Fee and commission expense	12,150	3,653	2,882	7	46	23	-	18,761
Net increase (decrease) from financial instruments at fair value through profit or loss operations	-	-	-	-	-	-	16,045	16,045
Net increase (decrease) from trading in foreign currencies and Net increase (decrease) from foreign exchange translation	1,889	2	8	(2,911)	684	615	(4,644)	(4,357)
Net increase (decrease) from revaluation of investment property	-	-	-	(256)	-	-	-	(256)
Other income	516	(27)	(67)	230	15	11	420	1,098
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	-	-	(124)	-	-	-	(124)
Employee benefits expense	(2,604)	(559)	(47)	(115)	(829)	(153)	(3,885)	(8,192)
Depreciation and amortisation expense	(682)	(52)	(17)	(6)	(75)	(3)	(956)	(1,791)
Administrative and other operating expenses including:	(9,411)	(878)	(302)	(2,330)	674	(522)	4,627	(8,142)
- direct costs of the segment in addition to personnel costs and depreciation	(3,083)	(90)	(42)	(2,315)	(248)	(110)	(2,254)	(8,142)
- redistribution of costs of centralized functions to business segments	(6,328)	(788)	(260)	(15)	922	(412)	6,881	-
Gain (loss) arising from derecognition of financial assets measured at amortised cost	(120)	(3)	-	(8,489)	-	35	-	(8,577)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(1,555)	(153)	16	(184)	(51)	122	34	(1,771)
Segment result	**16,339**	**4,329**	**3,086**	**(14,995)**	**1,538**	**694**	**13,305**	**24,296**

22 Segment Analysis (Continued)

The Bank did not analyse the capital expenditure, current and deferred income tax in segment reporting.

(e) Analysis of revenues by products and services

The Bank's revenues are analysed by products and services in Notes 17 (interest income), Note 19 (fee and commission income).

(f) Geographical information

Revenues for each individual country for which the revenues are material:

In millions of Ukrainian hryvnias	2021	2020
Ukraine	72,151	62,289
Other	46	123
Total revenues	**72,197**	**62,412**

23 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks as well as non-financial risks (operational, legal, compliance risks and reputation risks). Financial risks comprise market risk (including currency risk), credit risk, interest rate risk and liquidity risk. The main objectives of financial risk management are to set risk limits and ensure that these limits are not exceeded.

Risk Management Bodies

For the purposes of efficient risk management, the Bank has developed and operates the risk management system, which anticipates segregation of rights, duties and responsibilities among governance bodies and structural units of the Bank, segregation of the processes of identifying and assessing risks, assessing the efficiency of risk management system from the process of risk acceptance.

The bodies of risk management system in the Bank include:

- Supervisory Board;
- Audit Committee of the Supervisory Board;
- Risk Committee of the Supervisory Board;
- Management Board;
- Operational Risk Management and Informational Security Committee;
- Credit Committee;
- Asset and Liability Management Committee;
- Non-performing Assets Management Committee;
- Internal Audit;
- Risk Management Function;
- Compliance Division;
- Capital Markets Department;
- Asset, Liability and Investment Analysis Department;
- Other support divisions (Back and Middle Office);
- Business divisions that directly accept risks.

23 Financial Risk Management (Continued)

Supervisory Board is fully responsible for managing the risks to which the Bank is exposed in its activities and thus:

- ensures the creation and operation risk management system, supervise the effectiveness of the risk management system and internal control;
- determine and monitors compliance with the Bank's corporate values based on legitimate and ethical business practices and constantly maintains a high risk management culture;
- establishes and maintain at an appropriate level an organizational structure, risk management information system and internal controls that ensure effective risk management;
- ensures that the Bank's remuneration policy is consistent with and promotes effective risk management without encouraging excessive risk taking;
- ensurses that risk management practices are an integral part of strategic planning;
- approves internal risk management documents and monitors compliance thereto, and implementation/updating thereof;
- approves a list of limits (restrictions) for each type of risk and procedures for escalating risk limit violations;
- approves the Bank Business Recovery Plan and ensures the fulfillment of functions related to recovering activities of the Bank by other bodies of the risk management system;
- approves the appointment and dismissal of the Chief RiskOfficer (CRO) and Chief Compliance Officer (CCO);
- identify cases of prohibition (veto) of CRO and/or CCO on decisions of the Management Board of the bank, committees and other collegial bodies of the Management Board of the Bank;
- ensures the functioning of the internal control system and supervising its efficiency;
- reviews management risk reports and, if the bank's risk profile does not meet the approved risk appetite, promptly decide on the implementation of adequate risk mitigation measures;
- takes measures to prevent conflicts of interest within the Bank, promotes their resolution and informs the National Bank of Ukraine of conflict of interest arising within the Bank.

The Audit Committee of the Supervisory Board is collegial body that serves as a support of the Supervisory Board for its functions, specifically:

- verifies the efficiency of the risk management system;
- controls the independence, impartiality, competence of the Chief Internal Auditor, the efficiency of exercising internal audit;
- advise the Supervisory Board on the selection, appointment, dismissal of the Chief Internal Auditor.

The Risk Committee of the Supervisory Board is collegial body established and functioning to assist the Supervisory Board in ensuring operation of the Bank's risk management system. The Risk Committee of the Supervisory Board performs the following main functions:

- participates in the development of the organizational structure for risk management and internal control to ensure sound risk management, adequate internal control;
- monitors and analyzes the current portfolio and the rate of risks accepted by the Bank;
- controls the compliance with the risk thresholds established by the Supervisory Board;
- ensures the availability and updating (at least once a year) of the Bank's internal documents regulating the risk management process and the functioning of the internal control system;
- controls and advises the Supervisory Board on the Bank's capital adequacy and liquidity;
- submits suggestions to the Supervisory Board on improving the risk management and internal control systems;
- reviews and advises the Supervisory Board on ensuring the going concern and business recovery plans.

Internal Audit is a component of the Bank's internal control system and performs the following main functions:

- identifies and assesses the main areas of the Bank's risk, including the availability and efficiency of the risk management system, the compliance of such system with the types and values of conducted transactions, and the internal control system, the capacity of these systems to respond to new and increasing risks, justification of the risk rate that the Bank is ready to accept;
- ensures providing the Supervisory Board, the Supervisory Board Audit Committee and Risk Committee of the Supervisory Board, the Management Board of the Bank with an independent justified assessment of the efficiency of actions, measures and inspections regarding risks to which the Bank is exposed;
- develops and gives recommendations on the elimination of deficiencies, improvement of efficiency of the Bank's risk management and internal control systems, monitoring of the measures taken to eliminate deficiencies and implementation of recommendations.

23 Financial Risk Management (Continued)

The Management Board is responsible for the implementation of the risk management strategies and policies, risk management culture, risk management and internal control systems, procedures, methods and other measures for the efficient risk management approved by the Supervisory Board and, respectively:

- ensures the development, develops, concurs or approves (depending on the type of a document) internal documents on risk management;
- ensures preparation and submission to the Supervisory Board of the managerial reports on all types of risks to which the Bank is exposed, including new types of products or significant changes;
- develops measures for the prompt elimination of deficiencies in the functioning of risk management system, implementation of recommendations and observations of internal control system assessment exercise, audits by internal audit department, external auditors and inspections of supervisory bodies.

Credit Committee

The Credit Committee makes decisions on asset transactions of the Bank within the authority limits established by the Bank Management Board, approves limits for transacting with counterparty banks, purchase of securities, and oversees significant loan projects. The Credit Committee approves methodologies, instructions, procedures, forms, models and other regulatory or procedural documents for identifying, measuring, monitoring, controlling, reporting and mitigating credit risks at all organizational levels. The Credit Committee meets at least once a week.

Assets and Liabilities Committee

The main purpose of establishing and operating the Assets and Liabilities Committee is to ensure the efficiency and continuity of the Bank assets and liabilities management process, monitor liquidity risk, currency, interest and price risks (for liability transactions) and take appropriate measures aimed at minimizing these risks and maximizing the financial result of the Bank. The Assets and Liabilities Committee meets every 2 weeks.

Operational Risk Management and Informational Security Committee

The main purpose of the Operational Risk Management and Informational Security Committee is to ensure the complexity and effectiveness of operational and informational risk management processes, implementation and support the function of internal control and information security systems, management of risks related to the Bank's interaction with non-banking institutions. The Operational Risk Management and Informational Security Committee meets once a month.

Non-performing Assets Management Committee

The Committee was established to ensure effective work with problem assets, in order to reduce the level and volume of problem assets of the Bank, by prompt decision-making and ensuring the efficient processes of problem assets management. The scope of the Committee's activities includes all problem assets of the Bank, including assets in the watch list, collected property and toxic assets.

Capital Markets Department

Capital Markets Department is responsible for day-to-day liquidity management and day-to-day management of foreign exchange position of the Bank.

Asset, Liability and Investment Analysis Department

Asset, Liability and Investment Analysis Department daily performs the calculation and control of compliance by the Bank with the prudential liquidity ratios established by the NBU, as well as internal indicators of liquidity risk, prepares reports on the current liquidity status of the Bank.

Risk Management Function is independent from business departments and does not contribute to the generation of the Bank's income. The Risk Management Function is subordinated to the Chief Risk Officer (CRO). Then, CRO reports and is accountable to the Supervisory Board, and has direct access to the Supervisory Board and/or the Risk Committee of the Supervisory Board. CRO has right to veto resolutions of the collegial bodies established by the Management Board.

23 Financial Risk Management (Continued)

The Risk Management Function performs the following main functions:

- ensures functioning of the risk management system for credit risk, operational risk, market and interest rate risks in the bank portfolio (loans, deposits etc.) and liquidity risk through timely identification, measurement, monitoring, control and reporting on each type of risk;
- develops/participates in the development, and keeps updated (depending on the type of a document) the internal bank regulations (procedures, methodologies, regulations, etc.) on risk management;
- prepares conclusions on credit applications submitted by business divisions for both new credits and for modifying terms under valid/current credits;
- prepares and submits risk reports to the Bank's Supervisory Board - at least once a quarter, to the Supervisory Board Risk Committee and the Bank Management Board as well as to committees of the Bank Management Board - at least once a month, and in situations requiring the immediate update of the Bank Supervisory Board – as soon as possible;
- performs stress-testing for risks;
- monitors the compliance with the risk limits and risk appetite indicators;
- develops and implements the early warning system for risky borrowers, financing of which can lead to higher credit risk;
- provides for execution and control of loan loss provisioning in accordance with IFRS, and credit risk assessment in accordance with requirements of the National Bank of Ukraine;
- develops, implements and keeps risk assessment methodologies and models updated.

Compliance Division is subordinated to the Chief Compliance Officer, which, in turn, reports and is accountable to the Bank Supervisory Board. Compliance Division is independent from business divisions, does not take part in generating income of the Bank and performs the following functions:

- ensures control over the Bank's compliance with legislative rules, regulatory environment, rules, Bank internal documents and relevant standards of professional associations, which are applicable to the Bank;
- ensures monitoring of changes in the legislation and regulatory environment, rules, Bank internal documents and relevant standards of professional associations, applicable to the Bank, and evaluate the impact of such changes on the processes and procedures implemented in the Bank, as well as ensures control over making the relevant amendments in the Bank internal documents;
- ensures control over the Bank's relationships with customers and counterparties in order to prevent the Bank's participation and / or use in illegal transactions;
- ensures management of the risks associated with a conflict of interests;
- prepares conclusions on compliance risk inherent in new products and significant changes in the activities of the Bank, before such new products are implemented in order to take timely and adequate managerial decisions;
- prepares and submits the compliance risk assessment reports to the Bank Supervisory Board, the Risk Committee of the Supervisory Board and to the Management Board at least once a quarter.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by defaulting on a contracted liability. Credit risk arises as a result of the Bank's lending and other transactions with counterparties generating financial assets.

The Bank's credit policy defines the general principles for implementing the credit process and credit risk management, establishes a general approach to the acceptance of credit risks, principles and standards of credit activity, defines the authorities and responsibilities of the Bank governance bodies, employees and structural subdivisions at each stage of the credit process, provides for the comprehensive approach to credit risk management.

Credit risk management is carried out on the basis of the regular analysis of the capacity of borrowers and potential borrowers to fulfill their obligations on repaying loan principal and paying interest, the regular analysis of loan portfolio qualify in order to monitor the rate of credit risk by changing lending limits as necessary, by obtaining collateral, making its examination and appraisal at established frequency, and by applying other instruments of credit risk mitigation.

Main information on credit risk rate is systematically updated and provided for analysis in the form of loan portfolio status reports.

The Credit Committee approves the classification of credit transactions by risk groups, reviews, corrects and approves the credit risk assessment in line with regulatory requirements and the estimated amount of loan losses in compliance with IFRS (loans and advances to clients, loan commitments and other financial assets).

23 Financial Risk Management (Continued)

To limit the risks to which the Bank is exposed as a result of its lending transactions, the Bank has the following system of decision-making authority for lending transactions:

- individual authority limits : these are limits delegated to the Risk Management Function for decision making on retail and small and medium business clients under standard product terms;
- dual authority limits ("dual signature" authority): these are limits for risky and risk-free transactions delegated to the managers of risk management divisions together with the heads of relevant business divisions within the standard product terms. A transaction is performed provided the unilateral positive vote to authorize it.;
- group authority limits: these are limits delegated by the Bank Management Board to the Credit Committee, subject to the conclusions, comments or recommendations of the Legal Department, the Security Division, and the opinion of the risk management divisions, which includes comments on specific risks and mitigation actions associated with potential lending transaction to have it approved as negative. The decision is taken by a majority vote of the members of the Credit Committee.
- the maximum exposure to credit risk for the components of the separated statement of financial position, including derivatives, is best represented by their carrying amounts. Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Loan Monitoring

The Bank IT systems allow the management to monitor loan portfolio behaviour real time.

The Bank regularly monitors the risk of each loan. To do this, it performs: (i) review of the borrower's financial condition, (ii) assessment of the adequacy of the loan collateral. The borrower's financial condition are regularly reviewed, and the borrower's internal credit rating may be revised based on the results of such analysis. This analysis is based on data on the receipt of funds on the client's account, the latest financial statements and other commercial information of the borrower, which he provided to the Bank or which the Bank otherwise received.

The Bank calculates early warning indicators, namely signs of abnormal customer behavior / activity, which could potentially lead to a deterioration of the customer's risk profile.

The Bank performs regular monitoring of market value of the collateral to assess its sufficiency for loan coverage. Assessment of collateral is performed by independent appraisers, certified by the Bank or qualified as internal appraisers. Regularity of these assessments depends on type of collateral.

The Bank maintains client credit history records. This allows the Bank to control the credit risk rate by targeting borrowers, who have a good credit history.

Problem Loan Recovery

Problem assets are managed in accordance with the approved Strategy and Operational Plan for Non-performing Assets Management approved by the Supervisory Board in october 2021 which sets targets for reducing the level and volume of problem assets on a gross basis and less provisions.

All functions, responsibilities, powers related to the management of distressed assets are clearly divided between the divisions of the Distressed Assets Division. Direction Security Service, Direction of collection of bad debts, Direction of asset management and restructuring, Direction of real estate management, Direction of strategies and communications for settlement of problem assets.

For the purpose of prompt decision-making, the Management Board established a Non-performing Assets Management Committee. All decisions are made in accordance with the limits of authority set by the Supervisory Board.

The Bank determines measures to settle problem assets based on the calculation of the net present value of expected cash flows, which provide economic benefits higher than the costs that may be incurred in problem assets management.

The process of problem assets management covers all 4 stages of the life cycle of the problem asset, namely:

The first stage - early detection. At this stage, business units are working with potentially problematic debtors with watching status. In case of an early debt (delay in payment of scheduled payments is 1 or more days) it is organized a process of remote debt settling, including preventive measures - Soft Collection (telephone contacts, SMS, e-mails, interactive messages).

23 Financial Risk Management (Continued)

The second stage - restructuring. Depending on the level of cooperation with the debtor, financial condition, Business units make actions to change the terms of lending, reduce the financial burden, through the use of short-term restructuring tools.

The third stage - out-of-court and court settlement. At this stage, the Bank is taking measures to enforce the recovery of debtors' debts, who refuse to cooperate or can not pay due to significant deterioration in financial condition. If clients are willing to cooperate with the Bank, there is evidence of the restoration of solvency, then such debtors are offered tools for early restructuring. At this stage, the bank uses the following tools:

- conducting face-to-face contacts with debtors, searching for collateral and leased property, their seizure;
- litigation, execution of notary writs, out-of-court collection of mortgages and pledges, support of enforcement proceedings;
- interaction with law enforcement agencies regarding assets that are considered fraudulent.

The fourth stage - timely and correct accounting of the collected property, preparation of the collected property for sale and its further sale.

The Bank writes-off debts at the expense of the formed provisions in accordance with the internal Regulations on debt write-offs and the requirements of regulatory legal acts of Ukraine.

The Bank outsources the functions of problem debts collection, which are not economically feasible to process in internal procedures, and organizes the sale of debt on assets, in respect of which the application of any measures by the Bank is economically impractical.

The Supervisory Board, the Management Board, and the Non-performing Assets Management Committee regularly monitor and control the outcome of the Strategy and the effectiveness of problem asset management processes.

Related Party Lending

The Bank conducts its business with related parties on commercial terms. Each loan request from a related party is subject to the same credit approval procedures that apply to any loan application from a nonrelated party.

Market risk. Market risk is a probability of occurrence of losses or additional expenses or a shortfall in the planned income as a result of unfavourable movements in foreign exchange rates, interest rates, cost of financial instruments (market quotes, indexes, etc.). The strategic objective of the Bank risk management policy is to minimize and prevent possible losses that can arise in case the market conditions change.

Currency risk. Currency risk is the risk that the value of financial instruments owned by the Bank will fluctuate due to changes in foreign exchange rates. The Bank’s major currency positions are in Ukrainian hryvnia, U.S. dollars and Euros. The Bank’s policy in respect of open currency positions is restricted under Ukrainian law to regulatory limits. The Asset, Liability and Investment Analysis Department and Capital Markets Department perform daily control of compliance with regulatory limits and currency exchange positions by means of compiling appropriate reports. Refer to Note 8 and 9.

The table below summarises the Bank’s exposure to currency risk at the end of the reporting period and position in Ukrainian hryvnias:

	31 December 2021				**31 December 2020**			
In millions of Ukrainian hryvnias	**Monetary financial assets**	**Monetary financial liabilities**	**Swaps, spots and forwards**	**Net balance and off-balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Swaps, spots and forwards**	**Net balance and off-balance sheet position**
Ukrainian hryvnias	306,709	240,007	-	66,702	293,601	222,688	-	70,913
US Dollars	44,982	68,170	-	(23,188)	40,788	73,219	-	(32,431)
Euros	20,000	20,162	-	(162)	20,238	20,246	-	(8)
Other	524	737	-	(213)	470	616	-	(146)
Total	**372,215**	**329,076**	**-**	**43,139**	**355,097**	**316,769**	**-**	**38,328**

23 Financial Risk Management (Continued)

Fair value of embedded derivatives was included in the table above together with host instruments into UAH denominated financial assets.

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank's gross exposure.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Bank entities, with all other variables held constant:

	31 December 2021		31 December 2020	
In millions of Ukrainian hryvnias	**Impact on profit or loss (before tax)**	**Impact on equity**	**Impact on profit or loss (before tax)**	**Impact on equity**
US Dollar strengthening by 20%	(5,066)	(5,066)	(6,954)	(6,954)
US Dollar weakening by 5%	1,266	1,266	1,738	1,738
Euro strengthening by 10%	(16)	(16)	(7)	(7)
Euro weakening by 5%	8	8	3	3
Other strengthening by 5%	(11)	(11)	(7)	(7)
Other weakening by 5%	11	11	7	7

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Bank. Sensitivity of US Dollar exchange rate in the above table takes into account effect of recognition of fair value of derivative embedded in investment securities available-for-sale and in investment securities held to maturity.

Interest rate risk. Interest rate risk in the banking book is a probability of occurrence of losses or additional expenses, or a shortfall in the planned income due to the effect of unfavourable changes in the interest rates. Interest rate risk affects the economic value of the Bank capital and net interest income of the Bank.

The strategic objective of the Bank's interest rate management policy is to minimize and prevent possible losses that can arise in case the market conditions change. The Bank faces the risk of financial losses due to movement of interest rates on assets and liabilities, mainly as a result of granting fixed interest rate loans for the terms and in amounts different from the terms and amounts of liabilities with fixed interest rate.

The collegial body that ensures the tactical implementation of the Bank's interest rate policy is the Assets and Liabilities Committee. Responsibilities of the Assets and Liabilities Committee in this area include an overview of the financial market price policy, credit and deposit interest rates under the programs of competitive banks, consideration of proposals of the Business and the Head Office divisions to improve the efficiency of the Bank's credit and deposit policy, the assessment of the cost of liabilities and return on assets, interest margin policy, approval of interest rates. Interest rates may undergo review in the event of significant fluctuations in market rates, changes in the discount rate of the regulator, depending on the resource position of the Bank.

Market Risk Management Division, that is a part of the Risk Management Function, monitors and controls the interest rate risk based on the GAP analysis, in which assets and liabilities sensitive to interest rate changes are grouped by time bands.

Fixed interest rate assets and liabilities are arranged by remaining maturities, while assets and liabilities with a variable interest rate are arranged the earliest repricing dates.

The net interest sensitivity gap between assets and liabilities in a given time band represents the GAP. The GAP analysis produces the assessment of the effect of changes in interest rates on the Bank's net interest income.

The Bank conducts stress testing to determine the conditions under which the Bank is exposed to possible losses, as well as to determine the amount of these losses and the impact on the Bank's interest income. Stress testing is performed by analyzing the sensitivity of net interest income to movements in interest rates assuming that the rates increase or decrease for a certain number of percentage points.

23 Financial Risk Management (Continued)

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earliest of contractual interest repricing or maturity dates.

In millions of Ukrainian hryvnias	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Non-monetary	Total
31 December 2021						
Total financial assets	84,881	14,293	59,059	213,982	2	372,217
Total financial liabilities	253,772	28,329	45,887	1,088	-	329,076
Net interest sensitivity gap at 31 December 2021	**(168,891)**	**(14,036)**	**13,172**	**212,894**	**2**	**43,141**
31 December 2020						
Total financial assets	86,365	9,016	67,700	192,016	3	355,100
Total financial liabilities	228,563	33,255	53,374	1,577	-	316,769
Net interest sensitivity gap at 31 December 2020	**(142,198)**	**(24,239)**	**14,326**	**190,439**	**3**	**38,331**

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	31 December 2021				31 December 2020			
In % p.a.	USD	UAH	Euro	Other	USD	UAH	Euro	Other
Assets								
Due from banks	-	-	-	-	-	-	-	-
Loans and advances to legal entities	8	12	5	5	9	11	6	5
Loans and advances to individuals	17	42	18	-	17	44	17	5
Investment securities at FVPL	-	6	-	-	-	6	-	-
Investment securities at FVOCI	4	11	3	-	4	10	2	-
Investment securities at AC	-	19	-	-	-	19	-	-
Liabilities								
Due to the NBU	-	-	-	-	-	-	-	-
Correspondent accounts and overnight deposits of banks	-	-	-	-	0	0	-	-
Long-term loans under the credit lines from financial institutions	-	-	-	-	-	-	-	-
Term placements of banks	-	-	-	-	-	-	-	-
Customer accounts					-	-	-	-
- current accounts of customers	-	0	-	-	0	1	-	-
- term deposits of legal entities	-	3	0	-	0	5	1	-
- term deposits of individuals	0	7	0	-	1	9	0	8
Debt securities in issue	-	15	-	-	-	15	-	-
Subordinated debt	-	-	-	-	-	-	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency or there is no interest rate under the contract.

The Bank is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Bank's current period profit and equity at the end of the reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

23 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2021 is set out below:

In millions of Ukrainian hryvnias	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	26,986	24,128	1,721	52,835
Loans and advances to banks	26,243	-	-	26,243
Loans and advances to customers	67,806	2	410	68,218
Investment securities at FVPL	93,096	-	-	93,096
Investment securities at FVOCI	129,072	2	-	129,074
Investment securities at AC	107	-	-	107
Other financial assets	170	2,461	13	2,644
Total financial assets	**343,480**	**26,593**	**2,144**	**372,217**
Non-financial assets	**20,924**	**1**	**8,154**	**29,079**
Total assets	**364,404**	**26,594**	**10,298**	**401,296**
Liabilities				
Due to others banks	3	-	-	3
Due to customers	314,556	8,309	2,438	325,303
Other financial liabilities	2,784	894	92	3,770
Total financial liabilities	**317,343**	**9,203**	**2,530**	**329,076**
Non-financial liabilities	**4,274**	**4**	**1,327**	**5,605**
Total liabilities	**321,617**	**9,207**	**3,857**	**334,681**
Net position	**42,787**	**17,387**	**6,441**	**66,615**
Credit related commitments (Note 14)	**153,515**	**4**	**54**	**153,573**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand, precious metals and premises and equipment have been allocated based on the country in which they are physically held.

23 Financial Risk Management (Continued)

The geographical concentration of the Bank's assets and liabilities at 31 December 2020 is set out below:

In millions of Ukrainian hryvnias	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	26,319	21,662	1,930	49,911
Loans and advances to banks	25,059	-	-	25,059
Loans and advances to customers	54,443	1	577	55,021
Investment securities at FVPL	100,750	-	-	100,750
Investment securities at FVOCI	119,194	2	-	119,196
Investment securities at AC	1,715	-	-	1,715
Other financial assets	994	2,449	5	3,448
Total financial assets	**328,474**	**24,114**	**2,512**	**355,100**
Non-financial assets	**19,249**	**2**	**8,174**	**27,425**
Total assets	**347,723**	**24,116**	**10,686**	**382,525**
Liabilities				
Due to others banks	-	-	2	2
Due to customers	301,805	8,606	2,297	312,708
Other financial liabilities	3,252	712	95	4,059
Total financial liabilities	**305,057**	**9,318**	**2,394**	**316,769**
Non-financial liabilities	**11,861**	**4**	**1,066**	**12,931**
Total liabilities	**316,918**	**9,322**	**3,460**	**329,700**
Net position	**30,805**	**14,794**	**7,226**	**52,825**
Credit related commitments (Note 14)	**118,259**	**4**	**59**	**118,322**

Liquidity risk. Liquidity risk is a probability of losses or additional expenses, or a shortfall in the planned revenues as a result of the Bank's inability to finance the growth of its assets and/or fulfil its obligations in due time.

Strategic tasks of the Bank policy in area of liquidity risk management are: liquidity indicators keeping at level higher the regulatory level, minimization of liquidity risk by keeping of sufficient amount of high quality liquid assets as possible source of pledge for case of stressing situations implementation, limits of borrowed funds concentration by formation of diversifying resources base, etc.

The Bank strives to support stable form of financing, develop sources of funds, in first turn, funds of individuals and legal entities.

For monitoring of current liquidity status Capital Markets Department manages liquidity daily by control of payment calendar of the Bank. Assets, Liabilities and Investments Analysis Department performs daily calculation of liquidity indicators in accordance with the NBU requirements. Assets, Liabilities and Investments Analysis Department submits reports on liquidity risk to ALCO members and Market risk management unit - to the Risk Committee of Supervisory Board not less than once a month. The reports include information on liquidity breaches based GAP-analysis method (comparison of assets amount and liabilities by liquidity gaps) in main currencies and in equivalent of national currency, available high quality liquid assets, concentration of funding by sources, compliance with the NBU's ratios and mandatory reserves requirements, etc.

23 Financial Risk Management (Continued)

Liquidity risk control is implemented through the compliance with regulatory ratios of short-term liquidity and LCR ratio, as well as limits and liquidity GAPs indicators requirements, required level t of high quality liquid assets and funding concentrations by sources.

The Bank calculates regulatory liquidity ratios established by the National Bank of Ukraine on a daily basis. These obligatory limits shall include:

- Short-term liquidity ratio (N6), which is calculated as the ratio of liquid assets to liabilities with contractual maturity of up to one year. The ratio was 93.76% at 31 December 2021 (31 December 2020: 92.92%) with the minimum required limit of 60% (31 December 2020: 60%).
- liquidity coverage ratio (LCR) - in multicurrency (LCRBB) and in foreign currency (LCRIB). LCR was 258.85% in multicurrency (LCRBB) and 200.36% in foreign currency (LCRIB) as at 31 December 2021 (31 December 2020: 278.23% and 218.18% respectively) with regulatory limit established by the NBU not less than 100% in multicurrency (LCRBB) and in foreign currency (LCRIB) (31 December 2020: not less than 100% in multicurrency (LCRBB) and 100% in foreign currency (LCRIB));
- net stable funding ratio (NSFR). NSFR was 156.57% as at 31 December 2021 with regulatory limit established by the NBU not less than 90%.

Reports on liquidity ratios are used by the Capital Markets Department for daily liquidity management.

The Capital Markets Department manages current liquidity, analyses schedules of payments, manages liquidity position daily by placing and attracting short-term funds at interbank market, purchase or sale of securities, or by other available financial transactions. Capital Markets Department analyses possible consequences of outflows of essential amounts of funds to reduce to the maximum extent a probability of unexpected changes of resources volumes. Capital Markets Department ensures compliance with mandatory reserve and regulatory liquidity ratios requirements.

Contingency Funding Plan was developed to manage liquidity in crisis periods. It contains a list of possible reasons leading to crisis, indicators of crisis and list of measures on crisis events localization and liquidation. The Plan establishes responsible bodies for certain measures and procedure of their interaction. The Bank also performs stress-testing by liquidity scenarios that include possible unfavourable conditions.

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including and gross loan commitments. Such undiscounted cash flows differ from the amount included in the separate statement of financial position because amounts disclosed in separate statement of financial position are based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

In millions of Ukrainian hryvnias	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Due to others banks	3	-	-	-	-	3
Due to customers	252,609	28,407	45,605	203	-	326,824
Other financial liabilities	2,237	129	569	1,288	15	4,238
Total contractual future payments for financial obligations	**254,849**	**28,536**	**46,174**	**1,491**	**15**	**331,065**
Credit related commitments (Note 14)	**152,874**	**49**	**290**	**360**	**-**	**153,573**

23 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

In millions of Ukrainian hryvnias	Demand and less than 1 month	From 1 to 3 months	From 3 to12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Due to others banks	2	-	-	-	-	2
Due to customers	226,885	33,807	53,858	334	-	314,884
Other financial liabilities	2,264	124	552	1,529	19	4,488
Total contractual future payments for financial obligations	**229,151**	**33,931**	**54,410**	**1,863**	**19**	**319,374**
Credit related commitments and financial guarantees, gross (Note 14)	**117,686**	**176**	**239**	**221**	-	**118,322**

Customer accounts are classified in the above analysis based on contractual maturities.

23 Financial Risk Management (Continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors maturities, which may be summarised as follows at 31 December 2021:

In millions of Ukrainian hryvnias	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	From 1 to 5 years	Over 5 years	Not defined	Total
Assets									
Cash and cash equivalents	52,181	-	-	-	-	-	-	1,623	53,804
Loans and advances to banks	26,243	-	-	-	-	-	-	-	26,243
Loans and advances to customers	11,999	9,866	9,534	7,516	5,897	15,252	7,271	883	68,218
Investment securities including:	2,261	12,028	29,558	3,245	15,910	16,483	142,790	2	222,277
- at fair value through profit or loss	-	636	264	-	-	-	92,196	-	93,096
- at fair value through other comprehensive income	2,261	11,392	29,294	3,245	15,910	16,377	50,593	2	129,074
- at amortized cost	-	-	-	-	-	107	-	-	107
Investments in an associate	-	-	-	-	-	-	-	30	30
Fixed assets and intangible assets, investment properties and repossessed collateral	-	-	-	-	-	-	-	9,351	9,351
Intangible assets other than goodwill	-	-	-	-	-	-	-	-	-
Other financial assets	5,024	-	-	-	2	-	1,973	713	7,712
Other non-financial assets and current tax assets	305	-	-	-	-	-	-	19,317	19,622
TOTAL ASSETS	**98,013**	**21,894**	**39,092**	**10,761**	**21,809**	**31,735**	**152,034**	**31,919**	**407,257**
Liabilities									
Due to banks and other financial institutions	3	-	-	-	-	-	-	-	3
Customer accounts:	70,413	38,473	29,809	14,514	10,904	5,333	143,996	8,266	321,708
- individuals	21,139	5,704	2,028	850	710	1,540	55,203	8,160	95,334
- legal entities and organizations	49,273	32,769	27,781	13,664	10,193	3,793	88,793	106	226,372
Lease liabilities	-	-	-	-	-	-	-	-	-
Other financial liabilities	11,311	156	247	264	319	471	2	556	13,326
Other liabilities and deferred tax liability	1,674	-	-	-	-	-	-	280	1,954
Provisions and non-financial liabilities	-	-	-	-	-	-	-	3,651	3,651
TOTAL LIABILITIES	**83,401**	**38,629**	**30,056**	**14,778**	**11,223**	**5,804**	**143,998**	**12,753**	**340,642**
Cumulative GAP	14,612	(2,123)	6,913	2,896	13,482	39,413	47,449	-	

23 Financial Risk Management (Continued)

The data in the table above differ from the amounts presented in the statement of financial position in some items. The following is a reconciliation of the values of the following items for liquidity management purposes (management reporting) and the statement of financial position (IFRS reporting):

In millions of Ukrainian hryvnias	Cash and cash equivalents	Other non-financial assets and current tax assets	Other financial assets	TOTAL ASSETS	Due to customers	Other financial liabilities	TOTAL LIABILITIES
Filed in management reporting	**53,804**	**19,622**	**7,712**	**407,257**	**321,708**	**13,326**	**340,642**
(a) reclassification of transit accounts for customer transactions	-	-	(4,944)	(4,944)	4,330	(9,274)	(4,944)
(b) reclassification of balances of the loyalty bonus program for clients	-	-	-	-	(997)	997	-
(c) reclassification of outstanding transactions through NBU correspondent account during the Bank's business day	(1,011)	-	-	(1,011)	161	(1,172)	(1,011)
(d) other reclassifications	42	69	(117)	(6)	101	(107)	(6)
As reported under IFRS	**52,835**	**19,691**	**2,651**	**401,296**	**325,303**	**3,770**	**334,681**

The Bank had a negative cumulative liquidity gap between financial assets and financial liabilities (excess of liabilities over assets) with a maturity from 1 to 3 months as of 31 December 2021 (as of 31 December 2020: from 2 to 9 months).

The Bank regularly monitors liquidity position, performs quarterly stress testing of liquidity indicators under adverse scenarios, which provide for outflows of customer funds in amounts that were in the most unfavorable periods since 2013, control of compliance with regulatory liquidity ratios established by the National Bank of Ukraine, etc.

In accordance with effective legislation, the Bank is obliged to repay term deposits of individuals on demand of a depositor if early repayment option is set contractually, but in this case a depositor’s right to accrued interest is forfeited. The Bank expects that customers will not request term deposits early, thus these balances are included in disclosures above in accordance with their contractual maturities. Current accounts are included based on their historical stability based on the model. The model provides for: (i) Segmentation: retail, SMEs and corporate; in terms of currencies: UAH, USD, EUR; (ii) Modelling method - historical Value at Risk (99% confidence level); (iii) Analysis of periods for each segment, including different phases of the economic cycle from 2013 in terms of days. Thus, the model reflects the actual stable trend towards growth of account balances during different phases of the economic cycle.

In 2021, the Bank implemented an updated model to assess liquidity risk of loans without a specific execution date (credit cards) - the seasonal autoregression model. The previous assessment model used by the Bank in 2020 and earlier was based on the calculation of credit card turnover (expected repayment). The introduction of the updated model did not significantly affect the cumulative liquidity gap (i.e. did not change the positive liquidity gap - excess of assets over liabilities to negative - excess of liabilities over assets).

Other balance sheet items are reflected in the above analysis of contract terms (according to the contract). Overdue amounts refer to the maturity of "Not defined".

In addition, during 2021, the liquidity risk management reports in the form shown in the table below as of 31 December 2020 were supplemented by the Bank for risk management purposes in an expanded form, as presented in the table above as of 31 December 2021.

23 Financial Risk Management (Continued)

In 2020, the Bank used liquidity risk reports in the form shown in the table below:

In millions of Ukrainian hryvnias	Net liquidity gap at 31 December 2020	Cumulative liquidity gap at 31 December 2020
On demand	30,796	30,796
Overnight	(12,092)	18,703
From 2 to 7 days	20,875	39,578
From 8 to 14 days	(8,987)	30,591
From 15 to 21 days	(3,751)	26,840
From 22 to 31 days	(9,151)	17,689
From 1 to 2 months	(12,337)	5,352
From 2 to 3 months	(13,801)	(8,449)
From 3 to 6 months	8,064	(384)
From 6 to 9 months	(6,920)	(7,304)
From 9 to 12 months	10,952	3,648
From 1 to 2 years	3,092	6,739
From 2 to 3 years	1,832	8,572
From 3 to 5 years	2,911	11,483
More than 5 years	29,654	41,137
Not defined	(41,137)	-

24 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 23 "Financial Risk Management" for the Bank's contractual undiscounted repayment obligations.

	31 December 2021			31 December 2020		
In millions of Ukrainian hryvnias	Less than 12 month	More than 12 month	Total	Less than 12 month	More than 12 month	Total
Cash and cash equivalents	52,835	-	52,835	49,911	-	49,911
Loans and advances to banks	26,212	31	26,243	25,015	44	25,059
Loans and advances to customers	44,705	23,513	68,218	45,986	9,035	55,021
Investment securities including:	63,003	159,274	222,277	69,099	152,562	221,661
- at fair value through profit or loss	901	92,195	93,096	888	99,862	100,750
- at fair value through other comprehensive income	62,101	66,973	129,074	66,701	52,495	119,196
- at amortized cost	1	106	107	1,510	205	1,715
Current tax assets	-	9,978	9,978	-	6,660	6,660
Investments in subsidiaries, joint ventures and associates	-	30	30	-	30	30
Investment properties	-	1,989	1,989	-	2,933	2,933
Intangible assets other than goodwill	-	1,288	1,288	-	953	953
Property, plant and equipment	-	6,074	6,074	-	6,689	6,689
Other financial assets	367	2,277	2,644	1,327	2,121	3,448
Other non-financial assets	-	9,713	9,713	-	10,128	10,128
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	7	-	7	32	-	32
Total assets	**187,129**	**214,167**	**401,296**	**191,370**	**191,155**	**382,525**
Due to others banks	3	-	3	2	-	2
Due to customers	325,102	201	325,303	312,376	332	312,708
Deferred tax liability	-	159	159	-	146	146
Other financial liabilities	2,330	1,440	3,770	2,569	1,490	4,059
Provisions including:	-	3,651	3,651	-	10,687	10,687
- provisions for loan commitments and financial guarantee contracts	-	373	373	-	329	329
- other provisions	-	3,278	3,278	-	10,358	10,358
Other non-financial liabilities	-	1,795	1,795	-	2,098	2,098
Total liabilities	**327,435**	**7,246**	**334,681**	**314,947**	**14,753**	**329,700**

25 Management of Capital

Compliance with capital adequacy ratios set by the National Bank of Ukraine is monitored monthly with reports outlining their calculation, which are reviewed and signed by the Chairman of the Board and the Chief Accountant. Under the current capital requirements set by the National Bank of Ukraine have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. The capital adequacy ratio in accordance with the requirements of the Basel Capital Accord is calculated once a year.

25 Management of Capital (Continued)

a) The Bank also manages its capital, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Bank's capital calculated in accordance with the Basel Accord is as follows:

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Tier 1 capital	**69,418**	**54,117**
Tier 2 capital (a portion not exceeding 100% of Tier 1)	**(4,121)**	**(2,278)**
Total capital	**65,297**	**51,839**
Risk Weighted Assets		
Banking book	305,891	280,562
Trading book	23,686	32,718
Risk Weighted Assets	**329,577**	**313,280**
Tier 1 capital ratio	**21.06%**	**17.27%**
Capital adequacy ratio (%)	**19.81%**	**16.55%**

b) As at 31 December 2021, the National Bank of Ukraine required banks to maintain a capital adequacy ratio at least 10% of risk weighted assets calculated in accordance with the regulations of the National Bank of Ukraine (31 December 2020: at least 10%).

Regulatory capital in accordance with the NBU's regulations comprises:

In millions of Ukrainian hryvnias	31 December 2021	31 December 2020
Total regulatory capital	**40,843**	**35,257**
Tier 1 capital	20,437	17,644
Tier 2 capital (a portion not exceeding 100% of Tier 1)	20,437	17,644
Deduction	(30)	(30)
Risk weighted assets	**146,289**	**93,201**
Open foreign currency position	**35,313**	**32,679**
Uncovered credit risk	**-**	**(368)**
Operational risk which is taken into account in capital adequacy	**41,255**	**-**
Capital adequacy ratio (N2)	**18.33%**	**28.09%**
Tier 1 capital adequacy ratio (N3)	**9.17%**	**14.06%**

Information included in the table above is calculated according to the Regulation No. 368 of the Board of the National Bank of Ukraine dated 28 August 2001 (as amended) "On the Regulation of the Banks and Banking Activity in Ukraine", including assessment of credit risk in accordance with Regulation No. 351 of the Board of the National Bank of Ukraine dated 30 June 2016 "On Calculation of the Loan Loss Provision by Ukrainian banks".

26 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. As at 31 December 2021, provision for legal cases of UAH 2,604 million and provision associated with cessation of operations in Crimea of UAH 674 million have been recorded (31 December 2020: UAH 9,165 million and UAH 1,193 million respectively). Refer to Note 15.

Also, at the nationalisation of the Bank, in December 2016 liabilities of the Bank, including UAH 10,934 million of amounts due to customers, UAH 10,721 million of Eurobonds issued and UAH 7,783 million of subordinated debt were converted into the Bank's share capital. As of the date of this separate financial statements, claims related to the nationalization have been filed against the Bank.The Bank's management believes that the Bank has no contingent liabilities for these claims and any other liabilities, except for amounts already recognized in these separate financial statements. See Notes 13 and 15.

Crimea related contingent liabilities. As at 31 December 2013, the Bank operated 337 bank offices, 483 ATM/cash machines, and 773 self-service portals at the territory of the Republic of Crimea. In February 2014, the Russian Federation commenced a military operation and established physical possession and control over Crimea. On 15 April 2014, the Ukrainian parliament adopted the Law on occupied territories. Further, the NBU's Regulation enforced on 6 May 2014 effectively prohibited Ukrainian banks to conduct their operations in Crimea.

In response to the above circumstances, during 2014-2016, the Bank has concluded a number of agreements with third party to transfer amounts due to customers and sell the Bank's assets associated with the operations in, in particular:

- two debt transfer agreements under which the Bank transferred its amounts due to customers in Crimea of UAH 8,215 million in 2014 (according to the 2014 Bank's separated financial statements) and of UAH 7 million in 2016. In order to obtain the depositors' consent to the transfer of debt, the Bank posted on its Internet portal (website) a notice of transfer, which indicated the procedure for action in case of the depositor's disagreement with such transfer. The Bank did not receive any objections from depositors within the period specified in the notice;
- five agreements on assignment of rights of claim, according to which the Bank transferred its claims on loans issued by the Bank to individuals and legal entities in Crimea in the amount of UAH 13,622 million (including fines and penalties). Carrying amount of such loans at the date of transfer was UAH 6,274 million (according to the 2014 Bank's separated financial statements: gross value of UAH 7,508 million minus provision of UAH 1,234 million);
- purchase and sale agreements for movable and immovable property of the Bank located in Crimea;
- an agreement for the transferred loans servicing, which entails an obligation for the Bank to collect proceeds on transferred loan contracts and transfer them to third party.

Accordingly, the Bank derecognized both assets and liabilities transferred to the third party, including obligations towards the depositors that were transferred to the third party under two debt transfer agreements. The Bank recognized net loss on cessation of the Bank's activity in Crimea in 2014 of UAH 155 million.

Subsequent to 2014, the Bank has paid UAH 1,458 million of deposits (including interest, fines and penalties) based on the court decisions in favor of depositors irrespective of the transfer of obligations to make such payments under the deposits to third party. The amount compensated to the Bank by the third party on respective deposits paid by the Bank is UAH 32 million. Compensation was obtained in the period before the nationalisation during 2014 – 2016.

As at 31 December 2021, a number of claims were brought by the depositors against the Bank seeking payment of deposits (including interest, fines and penalties) that are pending before courts in Ukraine for the total amount of UAH 674 million. When considering these disputes, certain courts pointed to the circumstances of the invalidity (not legally binding nature) of one of the debt transfer agreements between the Bank and third party regarding transfer of UAH 8,215 million.

The Bank filed appeals or will appeals shortly within the statutory deadlines against judgments in the said cases to the Supreme Court or appellate courts respectively.

As at 31 December 2021, the Bank had a contingent liability of UAH 6,011 million (31 December 2020: UAH 5,720 million) relating to cessation of its operations in Crimea, being the outstanding amount of customer accounts in Crimea at discontinuance of operations (i.e. as of November 2014) less amount claimed and provisioned. The probability of the outflow of resources to settle these obligations cannot be properly estimated and the amount of such obligations cannot be measured reliably by the Bank.

Tax legislation. Ukrainian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

26 Contingencies and Commitments (Continued)

The Ukrainian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities and it is possible that transactions and activities that have not been challenged in the past may be challenged.

Ukrainian tax legislation does not provide definitive guidance in certain areas. From time to time, the Bank adopts interpretations of such uncertain areas that reduce the overall tax rate of the Bank. As noted above, such tax positions may come under heightened scrutiny. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Bank.

Management further believes that ascertained risks of possible outflow of resources arising from tax and other regulatory compliance matters in the periods preceding 31 December 2021 do not exceed UAH 122 million (31 December 2020: UAH 105 million).

Capital expenditure commitments. At 31 December 2021, the Bank had contractual capital expenditure commitments in respect of construction of premises and acquisition of computers and furniture and equipment totalling UAH 328 million (31 December 2020: UAH 204 million). The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Assets pledged. The Bank had assets pledged as collateral with the following carrying value:

	Note	31 December 2021		31 December 2020	
In millions of Ukrainian hryvnias		Asset pledged	Related liability/ commitment	Asset pledged	Related liability/ commitment
Investment securities at FVPLI under the cash consignment contract with the NBU	9	2,504	-	-	-
Investment securities at FVOCI under the cash consignment contract with the NBU	9	17,350	-	17,880	-

27 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

27 Fair Value of Financial Instruments (Continued)

(a) Recurring fair value measurements.

Recurring fair value measurements are those that the accounting standards require or permit in the separate statement of financial position at the end of each reporting period. Classification of financial instruments at fair value by fair value hierarchy level as follows:

	31 December 2021				31 December 2020			
In millions of Ukrainian hryvnias	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Investment securities at FVPL								
Long-term government bonds with an embedded option	-	-	93,096	93,096	-	-	100,750	100,750
Investment securities at FVOCI								
Long-term government bonds	2	-	59,386	59,388	2	-	53,153	53,155
Medium-term government bonds denominated in foreign currency	-	-	6,810	6,810	9,234	-	14,732	23,966
Medium-term government bonds	5,073	-	15,268	20,341	6,545	-	14,539	21,084
Short-term government bonds	5	-	17,347	17,352	1,983	-	13,825	15,808
Short-term government bonds denominated in foreign currency	-	-	25,183	25,183	3	-	5,180	5,183
NON-FINANCIAL ASSETS								
Investments in associates	-	-	30	30	-	-	30	30
Premises	-	-	1,528	1,528	-	-	1,608	1,608
Repossessed collateral	-	-	615	615	-	-	1,228	1,228
Investment properties	-	-	1,989	1,989	-	-	2,933	2,933
Assets held for sale	-	-	7	7	-	-	32	32
TOTAL ASSETS RECCURING FAIR VALUE MEASUREMENT	**5,080**	**-**	**221,259**	**226,339**	**17,767**	**-**	**208,010**	**225,777**

Valuation technique used for level 2 measurements is linked to market prices of similar financial instruments quoted on active market.

Valuation technique used for level 3 measurements included discounted cash flows and other appropriate valuation techniques (models). Embedded derivative assets and investment securities at FVOCI are classified into level 3 instruments because these instruments require management to make assumptions for certain adjustments which had significant impact on fair values - exchange rates volatility, discount rates and/ or a credit risk of the counterparties which are not fully supportable by observable market data.

27 Fair Value of Financial Instruments (Continued)

Movements in level 3 financial instruments measured at fair value

The following is a reconciliation of changes in fair value at level 3 of the fair value hierarchy of investment securities at FVPL and investment securities at FVOCI:

In millions of Ukrainian hryvnias	Investment securities at FVPL	Investment securities at FVOCI
Fair value at 1 January 2020	**84,680**	**63,884**
Purchased of investment securities	-	64,013
Total gains/(losses) recorded in:		
Revaluation of investment securities in other comprehensive income	-	(1,646)
- profit or loss:		
Interest income accrued	4,453	6,871
Revaluation of investment securities in profit or loss	16,045	-
Settlements:		
Cash received (repayment)	(4,428)	(37,353)
Sales of investment securities	-	(540)
Exchange differences	-	3,579
Transfer to Level 3	-	2,621
Fair value as at 31 December 2020	**100,750**	**101,429**
Purchased of investment securities	-	68,150
Total gains/(losses) recorded in:		
Revaluation of investment securities in other comprehensive income	-	(2,024)
- profit or loss:		
Interest income accrued	4,440	8,817
Revaluation of investment securities in profit or loss	(7,666)	-
Settlements:		
Cash received (repayment)	(4,428)	(59,769)
Sales of investment securities	-	(9,538)
Exchange differences	-	(1,814)
Transfer to Level 3	-	18,743
Fair value as at 31 December 2021	**93,096**	**123,994**

Sensitivity analysis of the fair value measurement of financial instruments measured at fair value for Level 3

Long-term government bonds with an embedded option at FVPL

The fair value of a financial instrument is determined using an adjusted European Currency Options valuation model (Garman-Kohlhagen form of the Black-Scholes formula) and an estimated risk-free UAH rate. The specified calculation is carried out using the following observable and non-observable input data:

Observable:

- strike rate of the US dollar against the Ukrainian hryvnia. It is defined as the weighted average exchange rate of the US dollar against the Ukrainian hryvnia on the interbank foreign exchange market for the month preceding the date of issue of the corresponding series of government bonds with indexed value (according to the terms of issue for indexation). For Long-term government bonds with an embedded option issued in December 2016 and February 2017, the strike rate is UAH 25.71 and UAH 27.22 per US dollar, respectively;
- spot rate of the US dollar to the Ukrainian hryvnia. Defined as the average monthly interbank exchange rate of the US dollar against the Ukrainian hryvnia according to the NBU for the last month of the reporting period

27 Fair Value of Financial Instruments (Continued)

Unobservable:

- volatility of the US dollar against the Ukrainian hryvnia. Defined for the last 10 years as the average annual volatility on average weighted monthly interbank exchange rate of the US dollar against the Ukrainian hryvnia (up to 1 August 2018) and the average exchange rate for the month of the NBU (starting from 1 August 2018). As of 31 December 2021 Volatility of the US dollar against the Ukrainian hryvnia comprised 17.78% (31 December 2020: 17.70%). Sensitivity is defined as the effect of changes in the volatility of the US dollar against the Ukrainian hryvnia in the direction of increase or decrease by a given number of points;
- risk-free USD interest rate. It is determined in accordance with the period from the reporting date to the maturity date of the securities using a linear approximation of interest rates on US government debt, bringing the rate with a semi-annual accrual of interest to the annual rate. Sensitivity is defined as the effect of a change in the risk-free USD interest rate in the direction of increase or decrease by a given number of points;
- discount rate (risk-free UAH interest rate). It is determined according to the Nelson-Siegel's coupon-free yield curve, the coefficient for which are published by the National Bank of Ukraine. The model involves use maturity of each cash flow separately. As of 31 December 2021, the discount rate ranged from 8.65% per annum for the term 0.50 years before 9.42% per annum for the term 11.33 years (31 December 2020: from 8.65% per annum for the term 0.50 years before 9.42% per annum for the term 11.33 years). Sensitivity is defined as the effect of a change calculated according to the maturity of each cash flow, interest rate's increase or decrease by a specified number of points.

The tables below present a sensitivity analysis for each of those described non-observable input data:

In millions of Ukrainian hryvnias	**Changes in historical volatility**		**Changes of fair value**	
31 December 2021	+1 p.p.	-1 p.p.	156	(136)
31 December 2020	+1 p.p.	-1 p.p.	132	(112)

In millions of Ukrainian hryvnias	**Changes of risk-free USD interest rate**		**Changes of fair value**	
31 December 2021	+0.5 p.p.	-0.5 p.p.	(2,730)	2,868
31 December 2020	+0.5 p.p.	-0.5 p.p.	(3,324)	3,504

In millions of Ukrainian hryvnias	**Changes of risk-free UAH interest rate**		**Changes of fair value**	
31 December 2021	+1 p.p.	-1 p.p.	(744)	863
31 December 2020	+1 p.p.	-1 p.p.	(877)	1,002

27 Fair Value of Financial Instruments (Continued)

Government bonds at FVOCI

– The fair value of a financial instrument is determined using discounted flows and a discount rate (estimated risk-free rate in UAH based on the term of the financial instrument) is determined according to the Nelson-Siegel coupon-free yield curve, the coefficients for which are published by the National Bank of Ukraine. The model assumes the use of the maturity of each cash flow separately. As of 31 December 2021, the discount rate ranged from 9.86% per annum for a period of 0.01 years, to 9.47% per annum for a period of 10.95 years (31 December 2020: from 7.89% per annum for a period of 0.02 years, up to 9.12% per annum for a period of 12.20 years). Sensitivity is defined as the effect of a change in the interest rate calculated, according to the maturity of each cash flow, to increase or decrease by a specified number of points. Sensitivity analysis is given below:

In millions of Ukrainian hryvnias	**Changes of risk-free UAH interest rate**		**Changes of fair value**	
31 December 2021				
Long-term government bonds	+1 p.p.	-1 p.p.	(2,686)	2,913
Medium-term government bonds	+1 p.p.	-1 p.p.	-	-
Short-term government bonds	+1 p.p.	-1 p.p.	(55)	56
31 December 2020				
Long-term government bonds	+1 p.p.	-1 p.p.	(2,990)	3,264
Medium-term government bonds	+1 p.p.	-1 p.p.	(9)	9
Short-term government bonds	+1 p.p.	-1 p.p.	(20)	20

Government bonds denominated in foreign currency at FVOCI

The fair value of foreign currency debt securities denominated in US dollars is calculated using a model and input data similar to government debt securities with an embedded option. as described above. As of 31 December 2021 and 2020, the growth (decrease) of the risk-free interest rate in hryvnia by 1 percentage point. would increase (decrease) the fair value of such securities by UAH 25 million.

27 Fair Value of Financial Instruments (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2021				31 December 2020			
In millions of Ukrainian hryvnias	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS								
Loans and advances to banks								
Deposit certificates of the National Bank of Ukraine	-	26,212	-	26,212	-	25,006	-	25,006
Finance lease receivable	-	31	-	31	-	53	-	53
Loans and advances to customers								
Loans and finance lease managed as a separate portfolio	-	-	2,039	1,191	-	-	2,771	2,169
Corporate loans	-	-	3,009	2,971	-	-	4,184	4,079
Loans to individuals - cards	-	-	41,750	41,750	-	-	35,523	35,523
Loans to individuals - mortgage	-	-	3,525	3,549	-	-	2,334	2,322
Loans to individuals - auto	-	-	373	350	-	-	-	-
Loans to individuals - consumer	-	-	5,775	5,275	-	-	3,612	3,416
Loans to individuals - other	-	-	21	21	-	-	18	18
Loans to small and medium enterprises (SME)	-	-	11,300	11,171	-	-	5,448	5,506
Finance lease receivables	-	-	1,981	1,940	-	-	2,010	1,988
Investment securities at AC								
Short-term government bonds	-	-	-	-	-	-	1,489	1,493
Long-term bonds issued by the State Mortgage Institution	-	-	142	107	-	-	186	222
Other financial assets								
Receivables from operations with customers	-	-	191	191	-	-	151	151
Other	-	-	2,453	2,453	-	-	3,297	3,297
TOTAL	**-**	**26,243**	**72,559**	**97,212**	**-**	**25,059**	**61,023**	**85,243**

Fair value of cash and cash equivalents approximates their carrying value.

27 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December 2021				31 December 2020			
In millions of Ukrainian hryvnias	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES								
Other borrowed funds								
Due to others banks								
Correspondent accounts and overnight placements of banks	-	3	-	3	-	2	-	2
Due to customers								
Term deposits of individuals	-	-	88,128	88,128	-	-	102,401	102,374
Current/demand accounts of individuals	-	141,222	-	141,222	-	125,330	-	125,330
Current/settlement accounts of government organizations	-	242	-	242	-	256	-	256
Current/settlement accounts of legal entities	-	83,224	-	83,224	-	69,935	-	69,935
Term deposits of legal entities	-	-	12,487	12,487	-	-	14,814	14,813
Other financial liabilities								
Lease liabilities	-	-	1,593	1,593	-	-	1,855	1,855
Funds in the course of settlement	-	-	1,057	1,057	-	-	1,014	1,014
Accounts payable	-	-	558	558	-	-	603	603
Other	-	-	562	562	-	-	587	587
TOTAL	**-**	**224,691**	**104,385**	**329,076**	**-**	**195,523**	**121,274**	**316,769**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique and market prices of quoted notes on non-active market. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Bank used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Bank's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Bank.

The Bank's liabilities to its customers are subject to state deposit insurance plan as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

28 Presentation of Financial Instruments by Measurement Category

Financial instruments are classified: (a) financial assets at fair value through profit or loss; (b) financial assets at fair value through other comprehensive income; (c) financial assets at amortized cost; (d) financial liabilities at fair value through profit or loss; (e) financial liabilities at amortized cost.

28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2021:

In millions of Ukrainian hryvnias	Assets at AC	Assets at FVPL	Assets at FVOCI	Finance lease receivables	Total
ASSETS					
Cash and cash equivalents	52,835	-	-	-	52,835
Loans and advances to banks					
Deposit certificates of the National Bank of Ukraine	26,212	-	-	-	26,212
Finance lease receivable	31	-	-	-	31
Loans and advances to customers					
Loans and finance lease managed as a separate portfolio	1,191	-	-	-	1,191
Corporate loans	2,971	-	-	-	2,971
Loans to individuals – cards	41,750	-	-	-	41,750
Loans to individuals – mortgage	3,549	-	-	-	3,549
Loans to individuals – auto	350	-	-	-	350
Loans to individuals – consumer	5,275	-	-	-	5,275
Loans to individuals – other	21	-	-	-	21
Loans to small and medium enterprises (SME)	11,171	-	-	-	11,171
Finance lease receivables	-	-	-	1,940	1,940
Investment securities at AC					
Long-term bonds issued by the State Mortgage Institution	107	-	-	-	107
Investment securities at FVPL					
Long-term government bonds with an embedded option	-	93,096	-	-	93,096
Investment securities at FVOCI					
Long-term government bonds without an embedded option	-	-	59,388	-	59,388
Medium-term government bonds denominated in foreign currency	-	-	6,810	-	6,810
Medium-term government bonds	-	-	20,341	-	20,341
Short-term government bonds	-	-	17,352	-	17,352
Short-term government bonds denominated in foreign currency	-	-	25,183	-	25,183
Other financial assets					
Receivables from operations with customers	191	-	-	-	191
Other	2,453	-	-	-	2,453
TOTAL FINANCIAL ASSETS	**148,107**	**93,096**	**129,074**	**1,940**	**372,217**
NON-FINANCIAL ASSETS					**29,079**
TOTAL ASSETS					**401,296**

As at 31 December 2021 and 2020 all of the Bank's financial liabilities were carried at amortised cost.

28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with measurement categories as at 31 December 2020:

In millions of Ukrainian hryvnias	Assets at AC	Assets at FVPL	Assets at FVOCI	Finance lease receivables	Total
ASSETS					
Cash and cash equivalents	49,911	-	-	-	49,911
Loans and advances to banks					
Deposit certificates of the National Bank of Ukraine	25,006	-	-	-	25,006
Finance lease receivable	53	-	-	-	53
Loans and advances to customers					
Loans and finance lease managed as a separate portfolio	2,169	-	-	-	2,169
Corporate loans	4,079	-	-	-	4,079
Loans to individuals – cards	35,523	-	-	-	35,523
Loans to individuals – mortgage	2,322	-	-	-	2,322
Loans to individuals – consumer	3,416	-	-	-	3,416
Loans to individuals – other	18	-	-	-	18
Loans to small and medium enterprises (SME)	5,506	-	-	-	5,506
Finance lease receivables	-	-	-	1,988	1,988
Investment securities at AC					
Short-term government bonds	1,493	-	-	-	1,493
Long-term bonds issued by the State Mortgage Institution	222	-	-	-	222
Investment securities at FVPL					
Long-term government bonds with an embedded option	-	100,750	-	-	100,750
Investment securities at FVOCI					
Long-term government bonds without an embedded option	-	-	53,155	-	53,155
Medium-term government bonds denominated in foreign currency	-	-	23,966	-	23,966
Medium-term government bonds	-	-	21,084	-	21,084
Short-term government bonds	-	-	15,808	-	15,808
Short-term government bonds denominated in foreign currency	-	-	5,183	-	5,183
Other financial assets					
Receivables from operations with customers	151	-	-	-	151
Other	3,297	-	-	-	3,297
TOTAL FINANCIAL ASSETS	**133,166**	**100,750**	**119,196**	**1,988**	**355,100**
NON-FINANCIAL ASSETS					**27,425**
TOTAL ASSETS					**382,525**

29 Related Party Transactions

In accordance with IAS 24 "Related Party Disclosures", parties are generally considered to be related if the parties are under common control, joint control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The note only discloses significant amounts.

As at 31 December 2021 and 31 December 2020 the Bank was 100% owned by the Government represented by the Cabinet of Ministers of Ukraine. Transactions and balances with related parties mainly consist of transactions with Ukrainian companies related to the State (both directly and indirectly under the control and significant influence of the State) and the shareholder.

29 Related Party Transactions (Continued)

At 31 December 2021 and 31 December 2020, the outstanding balances with related parties are as follows:

	31 December 2021				31 December 2020			
In millions of Ukrainian hryvnias	Shareholder	Management	Associated companies and subsidiaries	Other related parties	Shareholder	Management	Associated companies and subsidiaries	Other related parties
Cash and cash equivalents	-	-	-	5,958	-	-	-	5,553
Loans and advances to banks (contractual interest rate: 2021 – UAH – 8-9%; 2010 – UAH – 5-6%)	-	-	-	26,243	-	-	-	25,059
Loans and advances to customers, gross (contractual interest rate: 2021 – UAH – 14%, USD – 5%; 2010 – UAH – 17%, USD – 4%)	-	-	-	200	-	-	-	335
Less: Allowance for expected credit losses	-	-	-	(111)	-	-	-	(172)
Investment securities at FVPL	93,096	-	-	-	100,750	-	-	-
Investment securities at FVOCI	129,073	-	-	-	119,195	-	-	-
Investment securities at AC	-	-	-	107	1,493	-	-	222
Investments in subsidiaries, joint ventures and associates	-	-	30	-	-	-	30	-
Other financial assets	-	-	-	36	-	-	-	700
Other non-financial assets	-	-	-	22	-	-	-	4
Customer accounts (contractual interest rate: 2021 UAH – 1%, USD – 0%, EUR – 1%; 2020 UAH – 7%, USD – 0%, EUR – 0%)	-	13	283	11,767	-	10	123	13,114
Other financial liabilities	-	-	-	487	-	-	-	505
Other non-financial liabilities	-	-	-	3	-	-	-	-

29 Related Party Transactions (Continued)

The income and expense items with related parties during the 12 months 2021 and 2020 are as follows:

In millions of Ukrainian hryvnias	12 months 2021				12 months 2020			
	Shareholder	**Management**	**Associated companies and subsidiaries**	**Other related parties**	**Shareholder**	**Management**	**Associated companies and subsidiaries**	**Other related parties**
Interest income including:	14,044	-	-	1,258	11,674	-	-	1,687
Interest expense	-	-	(3)	(316)	-	-	(18)	(604)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	-	-	-	70	-	-	-	(7)
Commission income	-	-	-	228	-	-	-	206
Commission expenses	-	-	-	(11)	-	-	-	-
Net increase (decrease) from financial instruments at fair value through profit or loss operations	(7,666)	-	-	-	16,045	-	-	-
Net increase (decrease) from foreign exchange translation	(2,038)	-	-	(30)	3,734	-	3	6
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	-	-	-	-	-	(124)	-
Other income	-	-	5	6	-	-	63	6
Administrative and other operating expenses, excluding management remuneration	-	-	(17)	(119)	-	-	(15)	(49)

Aggregate amounts lent to and repaid by related parties during the period for 12 months 2021 and the period 12 months 2020 are as follows:

In millions of Ukrainian hryvnias	12 months 2021				12 months 2020			
	Share-holder	**Management**	**Associated companies and subsidiaries**	**Other related parties**	**Share-holder**	**Management**	**Associated companies and subsidiaries**	**Other related parties**
Amounts lent to related parties during the period	-	4	-	1,620,845	-	6	-	1,297,691
Amounts repaid by related parties during the period	-	3	-	1,621,796	-	-	-	571,735
Loans repaid to related parties during the period	-	-	54	9,509	-	-	97	14,596
Loans lent by related parties during the period	-	-	134	17,145	-	-	153	751,829
Amounts received under investment securities at FVPL	4,428	-	-	-	4,428	-	-	-
Amounts granted by investment securities at FVOCI	83,625	-	-	-	81,623	-	-	-
Amounts received under investment securities at FVOCI	68,498	-	-	-	37,443	-	-	-
Amounts granted by investment securities at AC	-	-	-	-	1,468	-	-	-
Amounts received under investment securities at AC	1,500	-	-	48	-	-	-	51

For 12 months 2021 the remuneration of the members of the Supervisory Board and Management Board comprised of salaries, pension contributions and other short-term benefits totalling UAH 219 million (for 12 months 2020: UAH 134 million).

29 Related Party Transactions (Continued)

Regulatory criteria for related party identification

Related party identification criteria of IAS 24 differs from the criteria set forth by the National Bank of Ukraine Regulation "On determination of related parties for banks" № 315 dated 12 May 2015 (as amended) (Regulation № 315).

The loan portfolio, presented as 'Loans and finance lease managed as a separate portfolio', in gross carrying amount of UAH 163,513 million (31 December 2020: UAH 164,332 million), as disclosed in Note 8, is classified as related with previous shareholders according to the Regulation № 315.

30 Changes in Liabilities Arising from Financial Activities

In millions of Ukrainian hryvnias	Due to the NBU – long-term borrowings	Dividends payable	Lease liabilities	Total
Carrying value as at 1 January 2020	**7,721**	**-**	**1,748**	**9,469**
Repayment of the refinancing loan to the NBU	(7,621)	-	-	(7,621)
Dividends accrual	-	24,457	-	24,457
Dividend payment	-	(24,457)	-	(24,457)
Recognition of new lease liabilities during the year, modification of previously recognized liabilities	-	-	738	738
Repayment of lease liabilities	-	-	(631)	(631)
Other	(100)	-	-	(100)
Carrying value as at 31 December 2020	**-**	**-**	**1,855**	**1,855**
Dividends accrual	-	19,442	-	19,442
Dividend payment	-	(19,442)	-	(19,442)
Recognition of new lease liabilities during the year, modification of previously recognized liabilities	-	-	474	474
Repayment of lease liabilities	-	-	(736)	(736)
Carrying value as at 31 December 2021	**-**	**-**	**1,593**	**1,593**

The "Other" line includes the effect of accrued but not yet paid interest on due to the NBU and others. The Bank classifies interest paid as cash flows from operating activities.

31 Events After the Reporting Date

On 24 February 2022, the russian federation invaded the territory of Ukraine. On this day, the President of Ukraine signed, and the Verkhovna Rada of Ukraine approved an order imposing martial law in Ukraine for 30 days. On 15 March 2022, the Verkhovna Rada approved the order of the President of Ukraine to extend martial law until 25 April 2022. On 21 April 2022, the Verkhovna Rada approved the order of the President of Ukraine to extend martial law until 25 May 2022. On 22 May 2022, the Verkhovna Rada approved the order of the President of Ukraine to extend martial law until 23 August 2022.

Since the date of martial law in Ukraine in late February 2022, the aggressor's hostilities in Ukraine have caused significant damage to civilian infrastructure, office and residential real estate in the east, some areas of northern and southern Ukraine, and mass shutdowns of enterprises and companies activities both in the territory of active hostilities, adjacent territories, and, in some cases, in the rest of Ukraine due to broken supply chains, damage or blockage of transport routes as well as declining demand for goods and services.

31 Events After the Reporting Date (Continued)

On 24 February 2022 the NBU issued a resolution imposing temporary restrictions, namely:

- to suspend the operation of the foreign exchange market of Ukraine, except for operations on the sale of foreign currency by customers;
- to fix the official exchange rate at 24 February 2022 level;
- limit cash withdrawals from the client's account to the amount of UAH 100,000 per day (excluding salaries and social benefits), except for enterprises and institutions that ensure the implementation of mobilization plans (tasks), the Government and individual permits of the National Bank without accrual and withdrawal of commissions ;
- to prohibit cash withdrawals from clients' accounts in foreign currency, except for enterprises and institutions that ensure the implementation of mobilization plans (tasks), the Government and certain permits of the National Bank;
- introduce a moratorium on cross-border foreign currency payments (except for enterprises and institutions that ensure the implementation of mobilization plans (tasks) and the Government, certain permits of the NBU);
- to suspend the performance of expenditure operations by servicing banks on the accounts of residents of the state that carried out the armed aggression against Ukraine;
- to banks - issuers of electronic money to suspend the issuance of electronic money, replenishment of electronic wallets with electronic money, distribution of electronic money.

To ensure the smooth functioning of the banking system, the National Bank of Ukraine:

- established the procedure for blank refinancing of banks to maintain the liquidity of the banking system;
- waived the requirements for compliance with prudential ratios if the violation occurred as a result of military aggression.

On 22 April 2022, additional measures were approved to support the stable operation of the banking system:

- inclusion in the calculation of capital adequacy ratios of the minimum amount of operational risk;
- requirements to update banking or banking groups internal documentation;
- application of a simplified approach when determining the amount of credit risk for regulatory purposes;
- updating and submitting to the National Bank plans to resume the activities of a bank / banking group;
- control by the National Bank over the implementation of capitalization / restructuring programs by banks based on the results of the sustainability assessment conducted in 2021.

On 21 May 2022, the NBU lifted restrictions on setting the exchange rate at which authorized institutions can sell foreign currency in cash to customers. Previously (since 24 February 2022), the relevant exchange rate should not deviate from the official exchange rate by more than 10%.

On 2 June 2022 the Board of the National Bank of Ukraine has decided to raise the key policy rate from 10% per annum (established since January 2022) to 25% per annum from 3 June 2022.

On 21 July 2022, the National Bank of Ukraine adjusted the official hryvnia exchange rate against the US dollar by 25% to UAH 36.5686 per 1 US dollar, taking into account the change in the fundamental characteristics of the Ukrainian economy during the war and the strengthening of the US dollar against other currencies. The official exchange rate of the hryvnia against the US dollar continues to be fixed.

On 13 April 2022, the Law of Ukraine "On Ensuring the Stability of the Deposit Guarantee System for Individuals" provides 100% guarantee of bank deposits for the period of martial law and three months after its completion.

As a result of abovementioned circumstances international rating agencies downgraded Ukraine's rating, in particular on 25 February 2022, Fitch Ratings downgraded the Long-term Foreign and Local Currency Issuer Default Ratings (IDRs) to 'CCC' from 'B'.

On 3 March 2022, taking into account unforeseen and unprecedented circumstances that are devastating for the country and its population and in accordance with the Resolution of the Cabinet of Ministers of Ukraine №183 of 3 March 2022, the Bank made an advance dividends payment based on preliminary financial data as of 31 December 2021, submitted to the NBU, in the amount of UAH 28,040 million (80% of the financial result for 2021), before approving the amount of annual dividends by the Bank's body charged with governance. Besides, in accordance with the Tax Code of Ukraine, the Bank transferred UAH 5,047 million advance payment of income tax related to dividends payment.

To support its activities under martial law, the Bank relocated its data center to the European Union, fearing the threat of physical destruction of the Bank's data centers in Kyiv and Dnipro. Some personnel have been reallocated from central Ukraine to western Ukraine.

31 Events After the Reporting Date (Continued)

To support its customers, the Bank performed the following actions during March – April 2022:

- the Bank announced the closure of the Bonus + program and centrally allocated UAH 615 million for the needs of the army and the reconstruction of Ukraine;
- provided (as of the end of April 2022) to Ukrainian agricultural enterprises and farmers UAH 5 billion in reduced rate loans for sowing campaign;
- from 1 March 2022 to 1 June 2022 introduced credit holidays for individuals on all credit cards;
- for the period of martial law cancelled fees for non-cash payments, as well as fees for cash withdrawals from credit cards of individuals.

In March-April 2022, the Bank adapted most of its business and internal processes to the operating conditions under martial law, in particular:

- the work of the branches was resumed and adjusted where possible - if at the beginning of March about half of the branches were in operation, then at the beginning of April - more than 1000 branches in all regions of Ukraine were in operation, except the temporarily occupied ones. Decisions to open branches are made daily, taking into account the current situation in a particular region;
- the network of ATMs and terminals is optimized taking into account the conditions in a particular region, customer demand, the possibility of their encashments;
- encashments work in all regions where possible. Encashment routes are updated depending on the current conditions in the region, interregional encashment is established and the local encashment process is optimized;
- in the deoccupied territories, the service network and operation of the Bank were resumed as soon as possible.

As a result of hostilities and the occupation of a certain territory of Ukraine, access to a number of the Bank's branches is limited. The Bank has performed an analysis of potential losses and damages based on the information available at the date of these separate financial statements. Based on the results of such an analysis, in March-April 2022, the Bank recognised an allowance for cash balances in the Bank's branches in the amount of UAH 515 million, and also recognized the impairment of fixed assets and other property of the Bank in the amount of UAH 66 million. Starting from 24 February 2022 and until the date of these separate financial statements, the Bank incurred other additional expenses related to military operations in Ukraine, in particular:

- the cost of recognizing provisions for expected credit losses on financial assets and credit related commitments, due to increased credit risks and estimates of damage to collateral in the amount of UAH 3,313 million;
- the costs of operating in an emergency. The estimated amount of such operating costs at the date of reporting is made about UAH 315 million.

Throughout the period from the beginning of hostilities until the date of signing these financial statements, the Bank continues its operations and provides services to its customers both online and at the Bank's branches (except for temporarily closed branches). Prudential ratios and open currency position limits calculated in accordance with the NBU regulations, including liquidity and capital ratios, continued to be met by the Bank during martial law effectiveness and until the date of these separate financial statements (subject to the 2018 open currency position limit agreed with the NBU).