

JOINT STOCK COMPANY "BANK ALLIANCE"

**Management report
(report on governance),
Financial statements as per International Financial
Reporting Standards,
Independent auditor's report**

December 31, 2022

**Management report
(report on governance)
JSC "BANK ALLIANCE"
for year 2022**

CONTENTS

INTRODUCTION	4
1. Probable further development possibilities for JSC “BANK ALLIANCE”	4
2. Information on JSC “BANK ALLIANCE” development	4
3. Information on derivatives conclusion or taking a juristic action regarding derivatives of JSC “BANK ALLIANCE”, if this affects assessment of the bank's assets, liabilities, financial condition and income or expenses	6
3.1. Financial risk management objectives and policies, including policies for insuring each principal type of expected transaction for which hedging is used.	6
3.2. Significant risks propensity	6
4. Litigations of JSC "BANK ALLIANCE"	7
5. Penalties of JSC "BANK ALLIANCE"	7
6. Report on corporate governance of JSC “BANK ALLIANCE”	7
6.1. Corporate Governance Code	7
6.2. Compliance with the code of corporate governance	8
6.3. General shareholder meeting information	8
6.4. Information about the Council	12
6.5. Information about the executive body	20
6.6. Description of the main characteristics of internal control and risk management systems	35
6.7. List of persons who directly or indirectly control a significant stake in the company	42
6.8. Information about any restrictions of shareholder’s (participant’s) rights to participate and vote of at the general meeting	42
6.9. Procedure for officials' appointment and dismissal. Information on any remuneration or compensation paid to the officers in case of their dismissal during the reporting period	42
6.12. Information on the execution of significant juristic actions or related-party transactions, or on prior consent to enter into significant transactions and information on persons interested in entering into related-party transactions and circumstances that create an interest	64

INTRODUCTION

This JOINT STOCK COMPANY “BANK ALLIANCE” (hereinafter also referred to as the Bank and/or JSC “BANK ALLIANCE”) Management Report (report on governance) for the year 2022 was prepared in accordance with the requirements of Article 127 of the Law of Ukraine "On Capital Markets and Organised Commodity Markets", Article 122 of the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets" and the Instruction on the Procedure for Preparation and Disclosure of Financial Statements of Ukrainian Banks approved by Resolution of the Board of the National Bank of Ukraine No. 373 dated 24 October 2011. The information contained in this Report is subject to verification in accordance with the requirements of the law by the independent auditor LLC “Baker Tilly Ukraine”.

1. Probable further development possibilities for JSC “BANK ALLIANCE”

Despite the military aggression of the Russian Federation and resulting consequences of the war, JSC “BANK ALLIANCE” successfully endured main challenges of the first half of 2022 and continued active development in its second half, demonstrating profitable performance and, accordingly, having stable sources to fund activities.

The Bank is characterized by a viable business model, which allows demonstrating high rates of development, even in conditions of martial law in the country. The Bank ranks 24th in terms of Net Assets. The bank remains highly profitable on the market (return on assets and return on equity for the year under review was 1% and 8%, respectively).

The Bank's key revenue generating business is corporate banking (loans and documentary operations). The Bank expects that in the medium term, the loan portfolio of both businesses and individuals in the banking system as a whole will continue to grow, which confirms that the Bank's business model is the right one.

It is appropriate to conclude that a company will continue to operate for at least another 12 months from the reporting date (not limited to this period).

2. Information on JSC “BANK ALLIANCE” development

JSC “BANK ALLIANCE” is a universal bank providing full range of banking services to legal entities and individuals, with an impeccable business reputation. In accordance with the Strategy of JSC “BANK ALLIANCE” for 2023-2025, approved by the decision of the Supervisory Board (hereinafter - the Board) dated 28.12.2022 (Minutes No. 62), the Bank's mission is to create favourable conditions for the development of the Ukrainian economy and stable growth of the gross domestic product, maintaining an optimal balance of interests of depositors, clients, shareholders and the Bank itself.

The Bank has been on the market for more than 30 years (registration certificate dated March 10, 1992, registration No. 89 in the State Bank Registry). The Bank provides comprehensive services to legal entities and individuals on the basis of an unlimited banking license No. 97 for the provision of banking services specified in part three of Article 47 of the Law of Ukraine "On Banks and Banking Activities", dated November 17, 2011 .

JSC BANK ALLIANCE carries out professional activities in the financial markets:

- financial instruments trading - brokerage and sub-brokerage activities, the relevant license for brokerage activities AE No. 294590 was issued by decision of the NSSMC No. 1582 dated 25.11.2014, by decision of the NSSMC No. 420 dated 23.06.2022, sub-brokerage activities became possible from 01.07.2022;
- financial instruments trading - dealer activity, the relevant license was issued by the NSSMC decision No. 387 dated 23.07.2019;
- depository activities of a depository institution, the relevant license was issued by the NSSMC under Decision No. 387 dated 23.07.2019.

All of the above licenses issued by the NSSMC are valid and unlimited.

The Bank is a member of the Deposit Guarantee Fund (certificate No. 023 dated September 2, 1999), a member of the Independent Association of Banks of Ukraine and the Association of Banks of Ukraine.

In connection with legislation changes, the extraordinary General Shareholder Meeting of JOINT STOCK COMPANY BANK ALLIANCE (Minutes No. 3/2021 dated November 26, 2021) approved the Statute of JOINT STOCK COMPANY BANK ALLIANCE in a new version that entered into force in 2022.

The certificate of registration of the issue of shares with a nominal value of UAH 28.58 per share was issued to the Bank by the NSSMC on 3 June 2022 under No. 27/1/2021.

The bank did not make any decisions regarding the change of authorized capital in 2022.

The ultimate beneficial owner of JSC "BANK ALLIANCE" is a citizen of Ukraine, Mr. Sosis Oleksandr Yosypovych, who, after approval by the National Bank of Ukraine in 2016, acquired a significant stake in JSC "BANK ALLIANCE" in the amount of 89.289% of the Bank's authorized capital.

The total number of branches opened by the Bank as of December 31, 2022 was 33 branches.

Following the introduction of martial law in Ukraine, in accordance with the Decree of the President of Ukraine No. 64/2022 "On the introduction of martial law in Ukraine", and in order to ensure uninterrupted operation of the Bank's branches providing customer service under martial law, as well as taking into account the requirements of the Resolution of the Board of the National Bank of Ukraine No. 18 "On the operation of the banking system under martial law" dated 24.02.2022, the operation of two branches of the Bank was temporarily suspended. The Bank informs about current changes in the working hours of its branches on its website <https://bankalliance.ua/articles>.

JSC "BANK ALLIANCE" is a principal member of the international payment systems MasterCard WORLDWIDE and VISA ASSOCIATION, as well as a member of the national payment system PROSTIR and the domestic payment system UKRKART.

JSC "BANK ALLIANCE" remains an authorized bank-winner for the right to pay pensions, allowances and salaries to employees of budgetary organizations of the Ministry of Finance of Ukraine.

Since December 21, 2018 – an official member of the International Chamber of Commerce (ICC).

Since August 29, 2018 – an official member of the European Business Association (EBA).

The target customer group is corporate clients of micro, small and medium-sized businesses. The Bank aims to build long-term partnerships with its customers, promote their financial well-being and develop the level of banking services.

The Bank's principal activities include lending and deposit operations, cash and settlement services to customers, purchase and sale of foreign currencies, trading with financial instruments, provision of advisory and information services, including those related to foreign exchange operations. The Bank actively uses interbank market instruments for prompt placement (attraction) of temporarily available funds, as well as for foreign exchange transactions.

The Bank is actively involved in a number of international credit programmes. The highest priority is given to projects aimed at supporting the development of the private sector (small and medium-sized business projects), loan programmes in the agricultural sector, as well as socio-economic infrastructure projects, including energy efficiency projects. On the 23rd of July 2020, the Bank signed 2 agreements to attract funds from the European Investment Bank (hereinafter - the EIB) within the framework of the joint projects of the EIB and Ukraine "Main Loan for the Agricultural Sector - Ukraine" and "Main Loan Project for Small and Medium Enterprises and Companies with Medium Capitalisation". On the 30th of December 2021, the Bank signed an agreement with the International Finance Corporation (hereinafter - IFC) to open a credit line (for a period of 3 years) and a trade finance line in the amount of USD 10 million (with the possibility of increasing the limit). The purpose is to finance Ukrainian SMEs, with at least 50 per cent of the loan proceeds targeted at SMEs in the agricultural sector. IFC's investment includes a USD 5 million loan from IFC's own account and a further EUR 5 million mobilised from the Invest in Visions GmbH IV Mikrofinanzfonds microfinance fund.

In 2022, the Bank continued its cooperation with the Entrepreneurship Development Fund, and the Bank is a participant in the state programme for lending to small and medium-sized businesses "Affordable Loans 5-7-9". In addition, the Bank signed a Memorandum of Understanding with the State on the general principles of cooperation in the implementation of state support for agricultural producers, which provides for the allocation of budget funds to support agribusiness. In the Bank's opinion, the agricultural sector remains one of the key sectors of the country's economy. In 2022, the Bank continued to finance companies operating in this segment.

The Bank is one of the leaders in the market of bank guarantees in the banking system (according to the official statistics of the National Bank of Ukraine, as of 31.12.2022, JSC BANK ALLIANCE ranked 5th (+2 positions compared to 2021) in terms of documentary operations.

According to JSC PFTS Stock Exchange, BANK ALLIANCE was ranked 14th among the largest stock exchange participants - traders in government bonds in 2022.

JSC BANK ALLIANCE provides opportunities to send or receive urgent money transfers internationally (with or without opening an account) through the international payment systems WesternUnion, MoneyGram, Welsend in US dollars, Euros, as well as in the national currency (within Ukraine).

On 27.01.2023, the National Rating Agency "Rurik" confirmed the long-term credit rating of JSC BANK ALLIANCE at uaAAA investment grade with an "evolving" outlook. The Bank's rating is determined according to the National Rating Scale.

On October 24, 2022, S&P Global Ratings affirmed the Bank's long-term and short-term issuer credit ratings at 'CCC' with an 'evolving' outlook.

The Bank's authorised capital is UAH 457 million, and the regulatory capital as of 1 January 2023 according to file #1 was UAH 1,001 million. The Bank is 100% compliant with all economic standards and currency position limits set by the National Bank of Ukraine.

As of 01.01.2023, the Bank's net assets reached the level of UAH 10.1 billion. The current year's profit amounted to UAH 76 million. The Bank's development is in line with the plan, but there is a slowdown in growth due to the war and the general economic downturn, yet the Bank continues to maintain a balance between profit and risk. The latter is evidenced by a significantly lower level of overdue debt and non-performing assets of the Bank.

3. Information on derivatives conclusion or taking a juristic action regarding derivatives of JSC "BANK ALLIANCE", if this affects assessment of the bank's assets, liabilities, financial condition and income or expenses

During the reporting period, JSC "BANK ALLIANCE" did not conclude derivatives and did not take actions regarding derivative securities. Thus, there was no impact of such operations on assessment of the Bank's assets, liabilities, financial condition and income or expenses.

3.1. Financial risk management objectives and policies, including policies for insuring each principal type of expected transaction for which hedging is used.

Financial risk management objectives and policies are specified in internal regulations: "Risk Management Strategy of JSC BANK ALLIANCE", "Risk Management Policy of JSC BANK ALLIANCE". Detailed information on functioning of the Bank's risk management system is provided in section 6.6 "Description of the main characteristics of internal control and risk management systems".

3.2. Significant risks propensity

The Bank, based on specifics of its activities and business model, intends to accept and retain the following significant risk types in order to achieve its business objectives:

- credit risk (counterparty risk, country risk, transfer risk);
- liquidity risk;
- banking book interest rate risk (gap risk, basis risk, optionality risk);
- currency risk in part of market risk;
- operational risk;
- compliance risk.

Risk types that the Bank does not intend to take or hold for achieving its business objectives and for which a zero risk appetite has been established:

- market risks typical for trading book instruments;
- risk of default;
- trading book interest rate risk;
- credit spread risk;
- volatility risk;
- equity risk;
- commodity risk.

Uncertainties affecting the Bank's activities:

2022 was a difficult year for Ukraine's economy, which suffered the largest losses, damages and harm since independence due to Russian military aggression, which began on 24 February, scaling up the military conflict that began in 2014 along the entire length of common border and from Belarus and occupied Crimea. The country's economy has lost almost a third of its value, which is the worst result since independence.

Together with spread of acute respiratory disease COVID-19 caused by coronavirus SARS-CoV-2, the military conflict affected the Bank's operations in 2020-2022, primarily due to a decline in customer business activity and higher operating costs. Given that the increase in risks is due to factors that the Bank cannot directly or indirectly influence, the main task of the Bank's management, until the above threats are resolved, is to ensure a level of equity that takes into account the growing risks and negative effects of external factors, and to ensure a level of liquidity that allows it to meet its obligations to customers in full.

Taking into account the expected liquidity ratios and profitability, planned increase in share capital at the expense of previous years' profit and subordinated debt, compliance with the NBU regulations, the Bank's Management believes there is a reasonable basis to prepare these financial statements on a going concern basis. The Bank has been operating under martial law for almost a year now, ensuring full technological continuity for all key business processes and operations in general, including full energy independence and uninterrupted communication between the Head Office and most branches of the Bank through connection to Starlink equipment and generators, and has already reflected the negative impact of the main types of risks caused by the martial law in the country, in particular, credit, liquidity, interest rate and operational risks. Since management's estimates and forecasts were based on assumptions and events that were unprecedented in the past, both for the Bank and the country as a whole, and given the uncertainty of the future development of the military invasion and timing of the end of hostilities, there is a significant amount of uncertainty that casts significant doubt on the Bank's ability to continue operations uninterrupted.

Taking into account the measures taken and planned to strengthen the Bank's financial stability, the availability of a wide range of instruments used to mitigate the negative impact of the risks inherent in the martial law environment and to ensure the Bank's ability to continue as a going concern, Management concluded that, despite the above factors that may cause a significant uncertainty about the Bank's ability to continue as a going concern, there is a reasonable basis to prepare these financial statements on a going concern basis.

A detailed assessment of continuity of operations is presented in the Bank's annual financial statements for 2022 in note 3 "Basis of Financial Reporting".

4. Litigations of JSC "BANK ALLIANCE"

In 2022, there were 55 cases pending on the Bank's claims/applications, 24 cases on claims against the Bank, and 8 cases where the Bank was involved as a third party.

5. Penalties of JSC "BANK ALLIANCE"

In 2022 there are no fines exceeding the materiality threshold at the financial statement level determined by the external auditor based on their professional judgement.

6. Report on corporate governance of JSC "BANK ALLIANCE"

6.1. Corporate Governance Code

The Corporate Governance Code of JSC BANK ALLIANCE contains rules that guide the Bank in formation, operation and improvement of its corporate governance system, including the process of managing risks arising in banking activities, strategic management and implementation of statutory tasks.

The Corporate Governance Code of JSC BANK ALLIANCE is posted (published) on the Bank's official website (link to the text: https://bankalliance.ua/about_bank/corporate_management). The latest version of the Corporate Governance Code was adopted on 26.11.2021 by the decision of the General Meeting of Shareholders of the Bank (the changes in current legislation, including introduction of additional requirements for members of the Bank's Council and Management Board for their collective suitability, were taken into account).

The Bank does not apply corporate governance practices outside the scope set by law.

The Bank also does not apply any other corporate governance codes, however, as a member of JSC "PFTS Stock Exchange", PJSC "PERSPEKTYVA Stock Exchange" and other associations, the Bank complies with the Rules of these exchanges and other documents adopted by respective associations.

6.2. Compliance with the code of corporate governance

The Bank and its employees (including managers) did not deviate from the provisions of the Corporate Governance Code of the JSC "BANK ALLIANCE" in their work.

6.3. General shareholder meeting information

The General Meeting is the Bank's supreme governing body. The powers of the General Meeting, the procedure for its preparation and holding are determined by Ukrainian law, the Bank's Charter and the Regulations on the General Meeting of Shareholders.

The only possible way to hold the General Meeting according to the Resolution of the NSSMC No. 250 from April 04, 2022 for the duration of martial law in Ukraine is remote holding.

The procedure for preparing and holding the General Meeting ensures equal treatment of all shareholders and protection of their rights regardless of their residence and the number of shares they hold.

The stages of calling and preparing the General Meeting provide shareholders with an opportunity to properly prepare for participation in it, get a full picture of the Bank's activities and make informed decisions on the agenda.

The Bank makes reasonable efforts to organize the General Meeting so that participation of shareholders does not take up much of their time and resources, ensuring equal treatment of all shareholders, regardless of the number of shares held and their residence.

General Meeting related information is disclosed by the Bank in the manner prescribed by the laws of Ukraine.

Shareholders' registration procedure for participation in the General Meeting, its holding and summarisation do not create obstacles for shareholders or their representatives participation in the General Meeting and guarantee equal opportunity for the shareholders present to participate in discussion of the matters on the agenda, express their opinion and ask questions on the matters of the agenda that interest them.

There were no cases of calling but not holding the General Shareholders Meeting in 2022.

On 03.03.2022, a special General Meeting of Shareholders was called and held by the Bank.

Ordinary annual remote General Shareholders' Meeting was held as prescribed by the Temporary Procedure for Calling and Holding General Shareholders' Meetings and General Meetings of Participants of a Corporate Investment Fund remotely, approved by the NSSMC Resolution No. 196 dated 16.04.2020. Date of the Annual General Meeting of Shareholders (closing date for voting) - August 23, 2022.

All meetings were held at the request of the Supervisory Board.

When holding an in-person General Meeting during the quarantine, the Bank's administration ensured compliance with all sanitary laws and took appropriate sanitary and anti-epidemic measures, including those to ensure compliance with biological safety requirements for shareholders and other attendees of the General Meeting.

No proposals have been received from any persons to include any issues in the agenda of the General Meeting in 2022.

Information on general shareholder meetings held and a brief description of decisions taken there

Type of General Meetings	Regular	Extra
		X
Meeting date	March 3, 2022	
Meeting quorum	93.834913% from the total number of voting shares	
Description	<p style="text-align: center;">AGENDA:</p> <ol style="list-style-type: none"> 1. Member election to the counting commission of the General Shareholder Meeting of JSC "BANK ALLIANCE". 2. Electing the Chairman and Secretary of the General Shareholder Meeting of JSC "BANK ALLIANCE". 3. Approval of the procedure for holding the General Shareholder Meeting of JSC "BANK ALLIANCE". 4. Juristic actions related to obtaining refinancing loans by BANK ALLIANCE JSC from the National Bank of Ukraine. <p>A DECISION TAKEN ON THE FIRST ITEM ON THE AGENDA:</p> <p>1.1. To elect the following Counting Committee members until the announcement of the end of the General Shareholders Meeting: Chairman of the Counting Committee - Oksana Osadcha Members of the Counting Committee - Svitlana Fomicheva, Sergey Fokin.</p> <p>A DECISION TAKEN ON THE SECOND ITEM ON THE AGENDA:</p> <p>2.1. To elect the Chairman of the Supervisory Board Pavlo Shcherban as the Chairman of the General Meeting and the Corporate Secretary Tetyana Shymanska as the Secretary of the General Meeting</p> <p>A DECISION TAKEN ON THE THIRD ITEM ON THE AGENDA:</p> <p>3.1. To approve such procedure for the General Shareholders Meeting of JSC "BANK ALLIANCE":</p> <ul style="list-style-type: none"> - speaker's report on matters on the agenda of the General Meeting, discussion, answering questions - up to 10 minutes; - voting on the matters on the agenda of the General Meeting - up to 5 minutes; - vote counting - up to 10 minutes, announcing the voting results by the Chairman of the Counting Committee - up to 5 minutes. <p>Persons wishing to speak or ask questions on the agenda shall raise their hands and, after the Chairman of the General Meeting entitles them to speak, the participant of the General Meeting shall speak or ask questions.</p> <p>Decisions on adjournment of General Shareholders Meeting and change to the order of consideration of agenda items are made in accordance with the procedure established by the applicable law by raising hands.</p> <p>A DECISION TAKEN ON THE FOURTH ITEM ON THE AGENDA:</p> <p>4.1 To set the maximum possible amount of liabilities under the General Loan Agreement in the amount of UAH 7,000,000,000.00 (seven billion hryvnias 00 kopecks), and in terms of the value of the pool of pledged assets - in the total amount of UAH 17,000,000,000.00 (seventeen billion hryvnias 00 kopecks, which is more than 50% of the asset value of JSC BANK ALLIANCE according to the latest annual financial statements. This decision applies to both the amount of an individual application and the total transaction amount that may be concluded with</p>	

	<p>the National Bank of Ukraine on refinancing transactions (including overnight) under the relevant Master Loan Agreement and not repaid by JSC BANK ALLIANCE.</p> <p>4.2. To authorize the Chairman of the Management Board of JSC BANK ALLIANCE (in case of absence - the Acting Chairman of the Management Board) to make appropriate amendments to the General Loan Agreement by concluding an additional agreement with the National Bank of Ukraine and to conclude transactions related to obtaining refinancing loans from the National Bank of Ukraine (including overnight) by signing applications for an overnight loan/participation in a liquidity tender, with the right to provide assets (property) of the Bank as security for fulfilment of obligations</p> <p>4.3. To authorize the Chairman of the Management Board of JSC BANK ALLIANCE (in case of absence - the acting Chairman of the Management Board) to delegate the powers specified in clauses 4.1. and 4.2. of this resolution to enter into transactions with the National Bank of Ukraine to employees of JSC BANK ALLIANCE .</p>
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Type of General Meetings	Regular	Extra
		X
Meeting date (end of shareholder voting date)	August 23, 2022	
Meeting quorum	93.834913% from the total number of voting shares	
Description	<p style="text-align: center;">REMOTE MEETING AGENDA:</p> <ol style="list-style-type: none"> 1. Review of the Report of the Supervisory Board of JSC BANK ALLIANCE on results of operations for 2021 and approval of measures based on the results of its review. Making decisions based on the results of reviewing the Report of the Supervisory Board. 2. Approval of the Report on Remuneration of the Members of the Supervisory Board of JSC BANK ALLIANCE for 2021. 3. Review of the findings of the external audit of JSC BANK ALLIANCE for 2021 and approval of measures based on the results of their examination. 4. Approval of the annual report of JSC BANK ALLIANCE for 2021. 5. Distribution of JSC BANK ALLIANCE's profit for 2021. 6. Amending internal regulations and approving their new version. <p>A DECISION TAKEN ON THE FIRST ITEM ON THE AGENDA:</p> <ol style="list-style-type: none"> 1.1. To approve the Report of the Supervisory Board of JSC "BANK ALLIANCE" on the results of operations for 2021. Determine the absence of the need to take additional measures. 1.2. To recognize the work of the Supervisory Board in 2021 as satisfactory and in accordance with the purpose and directions of the Bank's activities and provisions of its founding documents. <p>A DECISION TAKEN ON THE SECOND ITEM ON THE AGENDA:</p> <ol style="list-style-type: none"> 2.1. To approve the Report on Remuneration of the Supervisory Board Members of JSC "BANK ALLIANCE" for 2021. <p>A DECISION TAKEN ON THE THIRD ITEM ON THE AGENDA:</p>	

3.1. To acknowledge the Audit Opinion (Independent Auditor's Report) of LLC Baker Tilly Ukraine based on results of audit of JSC BANK ALLIANCE for 2021.

3.2. Decide that there is no need to take measures based on the findings in the Audit Report (Independent Auditor's Report) on the audit of JSC BANK ALLIANCE for 2021.

A DECISION TAKEN ON THE FOURTH ITEM ON THE AGENDA:

4.1. To approve the annual report of JSC "BANK ALLIANCE" for 2021 (consisting of the Management Report (report on governance) and the Financial Statements in accordance with International Financial Reporting Standards).

A DECISION TAKEN ON THE FIFTH ITEM ON THE AGENDA:

5.1. Profit in the amount of UAH 331 059 394,77 (three hundred thirty-one million fifty-nine thousand three hundred ninety-four hryvnias 77 kopecks) obtained as a result of JSC "BANK ALLIANCE" operation in 2021 shall be distributed as follows:

- part of the profit in the amount of UAH 16 552 969,74 (sixteen million five hundred fifty-two thousand nine hundred sixty-nine hryvnias 74 kopecks) to be directed to increase the reserve fund of JSC "BANK ALLIANCE";
- remaining profit in the amount of UAH 314 506 425,03. (three hundred and fourteen million five hundred and six thousand four hundred and twenty-five hryvnias 03 kopecks) to leave undistributed.

A DECISION TAKEN ON THE SIXTH ITEM ON THE AGENDA:

6.1. To approve amendments and present a new version of the internal regulations of JSC BANK ALLIANCE:

- Regulations on the General Shareholders Meeting of JSC BANK ALLIANCE;
- Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JSC;

The remote General Meeting of Shareholders was held as provided for by the Temporary Procedure for Convening and Holding General Meetings of Shareholders and General Meetings of Participants of a Corporate Investment Fund, approved by the decision of the National Securities and Stock Market Commission dated 16.04.2020 No. 196.

The body that registered the shareholders for participation in the latest general shareholders meeting

	Yes	No
Registering committee appointed by the person who convened the general meeting	X	
Shareholders		X
Depository Institution		X
Other (write down)		

The body controlling the registration of shareholders or their representatives for the latest general meeting participation

	Yes	No
National Securities and Stock Market Commission		X
Shareholders holding more than 10 per cent in aggregate		X

Voting method used at the latest general meeting

	Yes	No
Card raising		X
Ballots (secret voting)	X	
Hand raising		X
Other (write down)	A remote shareholder meeting was held in accordance with NSSMC requirements	

6.4. Information about the Council

Council Composition

Board members who are...	Number of people
... shareholders	1
... representatives of shareholders	1
... independent directors	3

Committees within the Council

	Yes	No
Audit	X	
Appointment and Nomination		X
Reward		X

Personal composition of the Council

Full Name	Position	Independent member	
		Yes	No
Shcherban Pavlo Pavlovich	Head of the Council		X
Negrych Mykhailo Mykhailovych	Council member	X	
Kozlenko Andriy Ihorovych	Council member		X
Kobylyanska Valentina Andriivna	Council member	X	
Kadirova Durdona Lukmanivna	Council member	X	

Requirements for the Council members as set out in the Bank's internal documents

	Yes	No
Industry knowledge and experience	X	
Knowledge of finance and management	X	
Personal qualities (honesty, responsibility)	X	
No conflict of interest	X	
Age limit		X
No requirements		X
Other (write down)	The Chairman and/or a member of the Bank Board shall comply with Ukrainian legislation requirements throughout their entire period in position, and independent members shall additionally comply with requirements for their independence	

During the latest election of a new Board member, they familiarized with their rights and obligations as follows:

	Yes	No
The new Board member has independently familiarized themselves with the company's internal documents	X	
A meeting of the Board was held, at which the new Supervisory Board member was introduced to their rights and obligations		X
Special training (in corporate governance or financial management) was organized for the new member of the Board	X	
All members of the Board were re-elected or no new member was elected		X
Other (write down)		

Determining the amount of Board Members' compensation

	Yes	No
The amount is fixed	X	
Compensation is a percentage of net profit or market value of shares increase		X
Compensation is paid in the form of company securities		X
Council members are not compensated		X

□ *Information on Council members' remuneration*

Terms of remuneration accrual and payment

For execution of functions and duties as a Board member stipulated by the Regulations on Remuneration of Members of the Supervisory Board of JSC BANK ALLIANCE and the Agreement, the Chairman/Member of the Board is paid monthly remuneration (payment) at the Bank's expense in the amount stipulated by the cost estimate specified in the Agreement concluded with the Bank.

The Bank pays the remuneration (payment) in the Ukrainian national currency - hryvnia, by the means of a bank transfer to the Board member's account specified in the details of the Agreement or in a separate written notice (letter) submitted by the Board member.

The remuneration is paid by the Bank:

- for the Chairman/Members of the Board with whom an employment agreement (contract) has been concluded and who are employed by the Bank - twice a month (on the 16th day of the current month - advance payment for the first half of the month; on the last day of the current month - final payment for the month). If payday coincides with a weekend, public holiday or a non-working day, the salary is paid the day before. Advance payment is made to the employee for the actual time worked based on the employee's salary and paid leave for the part of the month up to the 16th day of the month;

- for the Chairman/Members of the Board with whom a civil law agreement (contract) has been concluded - in the manner and within the period specified in such agreement (no later than the fifth day of the month following the month of its accrual).

When paying remuneration to a Board member under the Agreement, the Bank withholds and pays all necessary taxes, duties, mandatory payments in accordance with Ukrainian legislation that are deducted from the amount of income paid to individuals (including wages).

Additional payments, allowances, bonuses and other remuneration to a Board member are determined in accordance with the General Shareholders Meeting resolution in compliance with the requirements of the Regulation on Remuneration of the Supervisory Board Members.

The Bank, on the basis of relevant documents, may reimburse a Board member for expenses incurred by them related to carrying out the functions (work) of a Board member, including, but not limited to: business trips, including per diem for the period of stay on a business trip, travel costs to and from the destination and accommodation costs, and other expenses, reimbursement of which is directly stipulated or possible in accordance with Ukrainian legislation.

A Board member may be reimbursed for representation expenses, including in foreign currency (if they are/were on a foreign business trip).

Reward for year 2022

Total fixed salary (remuneration) paid to the Bank's Management Board members in 2022 amounted to UAH 4 004 482,32. There were 5 recipients in 2022. In 2022, no flexible remuneration was paid to the Board members.

Business trip expenses reimbursements for the Board members in 2022 amounted to UAH 38 779,78.

No remuneration was accrued or paid by legal entities related by control or affiliation.

No additional remuneration was accrued or paid to the Board members for special services outside their normal functions.

No compensation was paid to the former Board members in connection with termination of their service in 2022.

No shares, share options or other financial instruments were accrued or paid to the Board members as remuneration.

There was no unpaid deferred remuneration to the Board members in 2022.

There was no deferred remuneration from prior financial years paid to the Board members in the reporting financial year.

There are no recruitment benefits paid to the Board members in the financial year.

There are no termination benefits paid to the Board members in the financial year.

□ *Report on the Council's performance*

Evaluation of its composition, structure and activities as a collegial body

Board composition covers all areas of the Bank's activities over which the Board exercises control and meets the requirements of Ukrainian legislation, as well as size, specifics of the Bank's activities, nature and scope of banking and other financial services, and the Bank's risk profile.

As required by the laws of Ukraine and in accordance with the Bank's Charter, the number of the Board members may not be less than five (5).

The Head and members of the Board are elected at the General Shareholder Meeting for a term of three years and take office after their approval by the National Bank of Ukraine.

In 2022, Council composition did not change.

General shareholder meeting of JSC "BANK ALLIANCE" on November 26, 2021 adopted a decision to elect Council members for a term of 3 (three) years (minutes #3/2021).

Quantitative Council structure since November 26, 2021	Position	Full name	
	Head of the Council	Pavlo SHCHERBAN	Shareholder
	Council member	Andriy KOZLENKO	Shareholder representative
	Council member	Mykhailo NEGRYCH	Independent director
	Council member	Durdon KADIROV	Independent director
Council member	Valentina KOBLYANSKA	Independent director	

The Council is a collegial body protecting the rights of depositors, other creditors and shareholders of the Bank to the extent defined by the Charter and legal requirements. The Bank's Council does not participate in routine Bank running, but oversees the Bank's management, as well as controls and regulates the activities of the Management Board.

The Council acts within legal requirements, the Charter, and the Regulation on the Bank's Council approved by the General Meeting. The issues of convening, holding and adopting resolutions by the Board are regulated by legal requirements, the Charter, and the Regulation on the Bank's Council.

In its activities, the Council is governed by the Laws of Ukraine "On Banks and Banking Activities", "On Joint-Stock Companies", the legislation of Ukraine, regulatory legal acts of the National Bank of Ukraine, the Bank's Charter, decisions of the General Meeting, as well as the Regulations on the Supervisory Board of JSC "BANK ALLIANCE".

The Board's field of action is determined by the legislation of Ukraine, the Bank's Charter and the Regulations on the Supervisory Board of JSC "BANK ALLIANCE".

By decision of the General Meeting, the Council may be delegated certain powers of the General Meeting, except for those that, according to the legislation of Ukraine, belong to the exclusive competence of the General Meeting.

Council members have the right, in particular (but not limited to):

- To participate in the meetings of the Bank's Management Board.
 - To receive complete, reliable and timely information about the Bank necessary for the performance of its functions. Get acquainted with the Bank's documents, receive their copies, as well as copies of the documents of the Bank's structural divisions.
 - Demand convening of extraordinary meetings of the Council.
- Members of the Council are obliged, in particular (but not limited to):
- To act in the interests of the Bank in good faith, intelligently and conscientiously, not to exceed one's authority. The duty to act in good faith and reasonably implies the need to exercise good faith, prudence and due care that a person in such a position would exercise in similar circumstances.
 - To be guided by and comply with the current legislation of Ukraine, the Bank's Charter, the Regulations on the Supervisory Board of JSC "BANK ALLIANCE" and other internal documents of the Bank.
 - To implement decisions made by the General Meeting and the Bank Council.
 - To personally participate in ordinary and extraordinary General Meetings, in Council meetings and in the work of Council committees (transferring one's own powers to another person is prohibited). Inform in advance about impossibility of participation in the meeting of the Council, specifying the reason for the absence.
 - To comply with rules and procedures established by the Bank regarding conclusion of transactions in which there is an interest (conflict of interests), significant transactions, as well as transactions with related parties.

- To comply with all the rules established by the Bank related to the mode of circulation, security and preservation of information with limited access.
- Not to disclose banking and commercial secrets, confidential and insider information, which became known in connection with the performance of the functions of a member of the Council, to persons who do not have access to such information.
- Immediately (within one working day from the moment of losing the status of the Bank's shareholder) notify the Council about the loss of the status of the Bank's shareholder.
- In a timely manner and in full, provide the Bank with information about yourself and your related persons, which, in accordance with the requirements of the legislation of Ukraine, is submitted to the National Bank of Ukraine, the National Commission for Securities and the Stock Market and other state bodies, as well as notify the Bank of any changes in the submitted information within 5 working days from the date of such changes.
- Members of the Bank's Council may not be part of the Bank's Management Board, as well as hold other positions in the Bank under the terms of an employment contract (contract) or provide services to the Bank in accordance with a civil law contract.

The organizational form of the Council's work is a meeting. Council meetings are held as necessary, but at least once a quarter. Council meetings for the following year are planned and approved by the Council in advance. Meetings of the Council are convened at the initiative of the Chairman of the Council or at the request of one of the Council members, heads of control units, the Chairman of the Bank's Management Board, one of the members of the Bank's Management Board or the National Bank of Ukraine.

In 2022, the Council held 62 Council meetings.

Among the issues discussed at the Council's meetings during the year and on which the decisions were made, are the following:

- the state of implementation of the Bank's Strategy for 2022-2024;
- approval of the Council's work plans for 2022, the Bank's internal audit service for 2022;
- approval of the Bank's Budget, the Budget of the Council and control units for 2022;
- active operations that belong to the competence of the Council;
- results of inspections by the Internal Audit Service;
- control over the activity of the Board (reports on the implementation of the budget, strategy, planned indicators, execution of the Board's instructions);
- review of reports on compliance risk and the Bank's internal control system;
- review of management reports on risk positions;
- certain financial monitoring issues;
- convening, organization of general meetings of shareholders;
- approval of decision-making authority limits;
- approval of the Bank's internal documents that are within the competence of the Council;
- selection of an independent appraiser;
- approval of the Organizational Structure of JSC "BANK ALLIANCE";
- approval of the personal distribution of functions and powers of the Chairman and members of the Supervisory Board, the Corporate Secretary, and heads of control units of JSC BANK ALLIANCE.
- approval of the personal distribution of functions and powers of the Chairman and members of the Bank's Management Board;
- approval of significant transactions;
- approval of internal regulations on the Bank's Management Board, committees of the Bank's Board, risk management, compliance, internal audit and other structural units directly subordinated to the Bank's Council;
- mandatory publication of information in accordance with the requirements of legislation and regulatory acts of the NBU
- approval of issues related to securities.

Also, during 2022, the Council made decisions on other issues within the competence of the Council.

In addition, during 2022, the Board of the Bank periodically reviewed and carried out control over:

1. realisation: of the Bank's strategy and business plan; remuneration policy; plans for restoring the Bank's operations, financing the Bank in crisis situations, and ensuring the Bank's continuity;
2. compliance with: Code of Conduct (Ethics) of the Bank; procedure for confidential reporting

of unacceptable behaviour in the Bank; budget and planned performance indicators of the Bank; procedure for transactions with related parties of the Bank; policy on organisation of the internal control system in the Bank; risk exposure declaration, risk management strategy, risk management policy; policy for prevention, detection and management of conflicts of interest; the procedure for identifying, evaluating and electing candidates to the Bank's Board/Management Board; regulations on the organisation of corporate governance in the Bank; regulations on committees of the Bank's Board, the Bank's Management Board, committees of the Bank's Management Board, control units; procedure for cooperation with outsourcers;

3. implementation: control over efficiency of the Bank's risk management, compliance and internal audit systems; procedures for assessing performance of the Bank's Council and Management Board as a whole and their members and committees, control units, assessment of compliance of members of the Board and Management Board, the Head of the Internal Audit Unit with qualification requirements, assessment of collective suitability of the Board and Management Board;
4. effectiveness of the Bank's organisational structure; internal control, including risk management system; forms and procedure for submitting management reports.

All meetings of the Board were legally valid - at least half of the quantitative composition of the Board participated in all meetings. All decisions were made within the powers defined and established by the Bank's Charter and the Regulations on the Supervisory Board of JSC "BANK ALLIANCE".

Competence and effectiveness assessment of each Board member, including information on their activities as an officer of other legal entities or other activities, both paid and unpaid.

Candidates for election to the Board must have an impeccable business reputation.

All the Bank's Board members have a university degree and extensive experience in areas relevant to ensuring effective decision-making in the Bank's core business areas.

All the Board members constantly improve their knowledge, skills and professional and managerial expertise by participating in professional events: annual forums, thematic seminars, conferences, etc.

The Board members comply with Ukrainian legislation requirements for bank executives in terms of business reputation and professional suitability, collectively possess knowledge, managerial and professional experience necessary for the Bank's Board to exercise its powers, to properly understand the Bank's areas of activity, and have experience and skills for effective management of the Bank (risk management, finance, retail and corporate business, information technology, investment activities, and corporate governance).

The Board members do not have any conflicts of interest. There is sufficient time to fulfil the functions of the Board, taking into account the responsibilities of each member. All the Board members have an impeccable business reputation. The Board members' activities meet the standards of business practice and professional ethics.

The Board's efficiency is due to a high level of organisation of the Board's work, optimal frequency of the Board's meetings, as well as the sufficient amount of time available for the effective performance of the Board members' duties. At the Board meetings, a large amount of time was devoted to discussing issues, including analysis of the Bank's current financial position and development strategy.

As a result of the Board's work, an effective degree of interaction between the Board and Bank's management is noted and, as a result, provided financial/management reports meet the requirements of completeness, timeliness and clarity of presentation, availability of necessary internal documents, and effectiveness of protecting the interests of shareholders, depositors and other participants of corporate relations.

Evaluation each Council member's competence

Competence means that the members of the Board have a sufficient level of knowledge, skills, professional and managerial experience that allow them to successfully solve problems, make informed decisions, as well as provide effective control over the Bank's activities, as approved by the Bank's Development Strategy and taking into account the functions assigned.

Table of competences of the Bank Council members

Bank's board member's surname, name, patronymic, position	Evaluation criteria		Risk Management	Finance	Retail and Corporate Business	Security	Information Technologies	Working with troubled assets	Investment activities	Treasury	Corporate governance	Other key activities based on the bank's strategy and business model
1	2		3	4	5	6	7	8	9	10	11	12
Shcherban Pavlo Pavlovich, Chairman of the Supervisory Board (shareholder)	Education		X	X	X	-	-	X	X	X	X	
	Expertise	Managerial	X	X	X	-	X	X	X	X	X	
		Professional	-	X	X	-	-	X	X	X	X	
Negrych Mykhailo Mykhailovych, Supervisory Board Member (independent director)	Education		-	X	-	-	-	X	X	-	X	
	Expertise	Managerial	X	X	X	-	X	X	X	X	X	
		Professional	X	X	X	X	-	-	X	X	X	
Kozlenko Andriy Ihorovych, Supervisory Board Member (shareholder representative)	Education		X	X	X	-	-	X	X	X	X	
	Expertise	Managerial	X	X	X	-	-	X	X	X	X	
		Professional	X	X	X	-	-	X	X	X	X	
Kobylyanska Valentina Andriivna, Supervisory Board Member (independent director)	Education		X	X	X	-	-	X	X	X	X	
	Expertise	Managerial	X	X	X	-	X	X	X	X	X	
		Professional	X	X	X	-	-	X	X	X	X	
Kadirova Durdona Lukmanivna, Supervisory Board Member (independent director)	Education		X	X	X	-	-	X	X	X	X	
	Expertise	Managerial	X	X	X	-	X	X	X	X	X	
		Professional	X	X	X	-	X	X	X	X	X	

Sufficient level of knowledge, skills, professional and managerial experience of the members of the Bank Council allows the Council to successfully solve problems, make balanced decisions, and also ensures effective control over the activities of the Bank as a whole, taking into account the assigned functions.

Pursuant to Article 42 of the Law of Ukraine "On Banks and Banking Activities", the Regulation on Licensing of Banks approved by Resolution of the National Bank of Ukraine No. 149 dated 22.12.2018, Methodological Recommendations on Corporate Governance in Ukrainian Banks approved by the Board of the National Bank of Ukraine No. 814-pш dated 03.12.2018, the Bank conducted an annual review of compliance with the requirements of the legislation of Ukraine of the members of the Bank's Board, and of the independent director - for compliance with the requirements for independence.

As a result of the audit of compliance of the members of the Board with the requirements of the law and of the independent directors with the requirements for independence, it was concluded that the members of the Board comply with the requirements of the law, and the independent directors meet the requirements for independence.

Assessment of independence of each independent member of the Bank's Council.

Independent members of the Bank's Council:

Council member	Mykhailo Mykhailovych Negrych
Council member	Durdona Lukmanivna Kadirova
Council member	Valentina Andriivna Kobyllyanska

All independent members of the Bank's Board meet the requirements of Article 53-1 of the Law of Ukraine "On Joint Stock Companies" regarding independence, namely, they are members of the Board not influenced by other persons in their decision-making while performing their duties as an independent member of the Board.

Assessment of competence and effectiveness of each board committee, including information on the list and composition of the committees, their functional powers, number of meetings held and description of the main issues dealt with by the committees

In the 2nd half of 2022, the Audit Committee of the Supervisory Board (hereinafter referred to as the Committee) was established to preliminarily study and prepare for review at the Board meetings the issues within its competence.

The Committee consists of 3 members of the Board, including 2 independent members. The Committee is chaired by an independent member of the Board with appropriate education and qualifications.

Committee

Audit Committee	Chairman of the Committee	Mykhailo Mykhailovych Negrych
	Member of the Committee	Shcherban Pavlo Pavlovich
	Member of the Committee	Valentina Andriivna Kobyllyanska

The purpose of the Committee is to assist the Council in supervising the completeness and reliability of financial reporting, the reliability and effectiveness of the internal control system, and independence of external and internal audit.

The powers of the Committee include:

- preparing materials for the meetings of the Board and reporting to the Board on issues within the Committee's terms of reference and area of responsibility;
- monitoring financial reporting process and financial performance of the Bank;
- monitoring the Bank's implementation of accounting policies, current significant accounting practices, including calculations and disclosures;
- monitoring the integrity of the Bank's financial statements and any official statements relating to the Bank's financial results;
- overseeing the internal control system,
- reviewing reports of the Internal Audit Department,
- selecting and interacting with the external auditor, and monitoring compliance with legal requirements and internal procedures.

During the reporting year, the Committee held meetings to review the results of audits and the status of implementation of recommendations based on their results, the report on the assessment of the internal control system, reports of the Internal Audit Service, and others.

The tasks assigned to the Committee in 2022 were fully completed. The Committee's performance is sufficient and satisfactory.

Assessment of the Council's achievement of its goals:

During 2022, in its activities, the Council acted on the basis of the Regulation on the Supervisory Board of JSC "BANK ALLIANCE" and within the scope of competence defined in the Bank's Charter and the requirements of the current legislation, as well as regulatory acts of the National Bank of Ukraine, carried out:

- protection of the rights of depositors, other creditors and shareholders of the Bank;
- control over security and financial stability of the Bank;
- implementing the Bank's development strategy for 2022-2024 in line with the main areas of activity determined by the general meeting of the Bank's shareholders and the Bank's business plan for 2022-2030;
- control over implementation of the Strategy of JSC "BANK ALLIANCE" for 2022-2024;
- control over achievement of the planned financial indicators of the Bank's activity in 2022;
- ensuring strategic management of the Bank;
- compliance of the Bank's activities with the legislation and standards of professional associations applicable to the Bank;
- ensuring effective organization of corporate governance;
- creation of a comprehensive, adequate and efficient system for managing the risks to which the Bank is exposed in its activities;
- creating and ensuring the functioning of an effective problem assets management process in the Bank.

In order to effectively manage the Bank, during 2022, the Council regularly held meetings with the Chairman and members of the Bank's Management Board, heads of control units for discussions and adoption of decisions aimed at realization of both short-term and long-term goals and based on the results of regular and detailed analysis of the Bank's activities, discussion of ways to improve and increase the level of efficiency of the Bank's activities.

In accordance with the requirements of the Law of Ukraine "On Joint Stock Companies", the decision of the Board of the National Bank of Ukraine No. 814-р/н dated 03.12.2018 "On Approval of Methodological Recommendations on the Organisation of Corporate Governance in Ukrainian Banks", an assessment (self-assessment) was carried out based on the results of the activities of the Board and its members in 2022.

According to the results of the conducted self-assessment of the Council, in general, the effectiveness of the activities of the Council, as a management body, of its members is assessed as effective .

6.5. Information about the executive body

As stated in JSC "BANK ALLIANCE"'s Charter, its executive body is the Management Board.

In accordance with paragraph 14.3. of the Bank's Charter, the Management Board is appointed by the Bank's Council, comprises of at least three (3) persons and consists of the Chairman, their deputies and members of the Management Board.

At the end of 2022, the Bank's Management Board consisted of 6 (six) members:

1. Julia Mykolaivna Frolova, Head of the Board, took position on December 29, 2018.
2. Viktor Hryhorovych Burkytsia, First Vice Chairman of the Board, took position on November 8, 2017 (transferred to the position on May 18, 2021).
3. Oleksandr Oleksandrovich Chumak, Vice Chairman of the Board, took position on December 3, 2020.
4. Vitaliy Volodymyrovych Palyura, Vice Chairman of the Board, took position on December 2, 2020.
5. Serhii Viktorovych Bocharov, Vice Chairman of the Board, took position on January 4, 2021.
6. Oleksandr Vitaliyovych Dragin, Head of the Information Technology Department, the Board member, took position on January 18, 2022

Changes to the Board structure in 2022:

Oleksandr Vitaliyovych Dragin, Head of the Information Technology Department, the Management Board member, took up his duties on January 18, 2022

Executive body report

Executive body composition	Functional duties
<p>As of the end of 2022, the Bank's Management Board consisted of the following members:</p> <ol style="list-style-type: none"> 1. Frolova Julia Mykolaivna, Chairman of the Board; 2. Burkysia Viktor Hryhorovych, First Vice Chairman of the Board; 3. Chumak Oleksandr Oleksandrovych, First Vice Chairman of the Board, Board member; 4. Palyura Vitaliy Volodymyrovych, Vice Chairman of the Board, Board member; 5. Serhiy Viktorovych Bocharo, Vice Chairman of the Board 6. Oleksandr Vitaliyovych Dragin, Head of Information Technologies Department, Vice Chairman of the Board 	<p>It is within the Management Board's competence, including but not limited to, to resolve all issues related to the Bank's day-to-day operations management, except for issues that fall within the exclusive competence of the General Meeting and the Bank's Council:</p> <ul style="list-style-type: none"> ● preparation of drafts of the Bank's budget, strategy and business plan for approval by the Bank's Council; ● implementation of the Bank's strategy and business plan; ● determining the form and establishing the procedure to monitor the Bank's activities; ● implementation of the risk management strategy and policy approved by the Bank's Board, ensuring implementation of procedures for identification, assessment, control and monitoring of risks; ● shaping the Bank's organisational structure as determined by the Council; ● developing regulations governing the operations of the Bank's structural and standalone units in accordance with the Bank's development strategy; ● approving the Bank's internal documents, except for those within jurisdiction of the General Meeting and the Bank's Council; ● Ensuring security of the Bank's information systems and systems used for safekeeping of customer assets; ● informing the Council about the Bank's performance indicators, detected violations of the current Ukrainian legislation, internal regulations of the Bank and any worsening of the Bank's financial condition or threat of such worsening, and the level of risks arising in the course of the Bank's activities; ● arranging implementation of resolutions of the Bank's Council and General Meeting; ● prior examination of all issues that are subject to consideration by the General Meeting or the Council according to the Charter, preparation of relevant materials and proposals on these issues; ● Determining what information constitutes a trade secret and confidential information about the Bank's activities, determining the procedure for its use and protection. Maintaining the procedure established in the Bank for handling restricted information, in particular, for preserving bank secrecy, trade secrets and confidential information; ● resolving issues related to the day-to-day management of the Bank and its standalone units, ensuring execution of their tasks and compliance with the overall budget (estimate) of the Bank; ● ensuring the development of a distressed asset management strategy and an operational plan, ensuring their implementation and execution; ● deciding on writing off the Bank's balance sheet debt on financial instruments and receivables at the expense of

Information on meetings held

A meeting is an organisational form of the Management Board's work. Management Board meetings are held in the form of joint presence of the Management Board members in any way possible allowed by the Regulations on the Management Board of the Bank, taking into account the martial law in Ukraine.

The Board's decisions are made by a simple majority vote of members present at the meeting. In case of an equal number of votes, the vote of the Chairman of the Board (or an acting Chairman) is decisive.

During voting, the Chairman and each Board member have one vote. A member of the Management Board is not allowed to transfer the right to vote to other persons.

A Management Board member who does not agree with decisions taken at a meeting of the Management Board may submit their remarks in writing to the Chairman of the Management Board no later than two business days after the meeting.

In the event of disagreement with the decision of the Management Board, the Chairman of the Management Board has the right to bring the issue for consideration by the Bank's Council. The Council's decision on such issue is final.

The Management Board makes decisions regardless of personal interests of the Management Board members. Resolutions adopted by the Management Board should take into account interests of all shareholders, taking into account interests of the Bank and its investors.

The minutes of the Management Board meeting are kept at the meeting and finalised by the Secretary of the Management Board.

The minutes of the meeting of the Management Board are signed by the Chairman of the Management Board (or the acting Chairman) and the Secretary of the Management Board, accuracy of voting results is confirmed by signatures of all members of the Management Board.

General description of decisions taken

In 2022, the Bank's Management Board held 114 meetings and made decisions on:

- approval of the Bank's internal documents within the Management Board's powers;
- deciding on approval of active transactions within the Management Board's authority;
- establishing committees and working groups of the Management Board, making changes to their composition;
- reviewing reports of structural units and committees of the Management Board on the work performed;
- changes to the Bank's organisational structure and staffing;
- setting limits on the Credit Committee's powers and on individual officers' independent decision-making;
- reviewing reports on the results of monitoring of the internal control system and compliance risk;
- bonus payments to the Bank's employees;
- preliminary review of the drafts of budget, strategy and business plan of the Bank;
- approval of measures based on the results of the Internal Audit Department's reports;
- approval of the package of key reports to the interim financial report, etc;
- reviewing management reports on the status of major risks;
- approval of limits on repo transactions;
- other organizational issues.

All the Management Board meetings are considered to be valid, at least half of the Management Board members were present.

All of the Board's decisions are made only within the powers defined and established by the Bank's Charter and Regulations on the Management Board.

	<p>formed reserves, as well as fixed assets or other assets within the limits of authority established by the Council;</p> <ul style="list-style-type: none"> • approving the personnel list and amendments thereto within the budget approved by the Council; • approving membership of the Bank's permanent boards/committees, commissions, appointing their heads and deputy heads and resolving organisational issues related to their activities in accordance with the regulations approved by the Management Board; • resolving other issues related to the management of the Bank's day-to-day operations, except for issues within exclusive competence of the Bank's General Meeting and the Council.
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JSC “BANK ALLIANCE” Management Board Membership and its changes in 2022

<i>Full name</i>	<i>Position</i>	<i>Board resolution on appointment/election</i>	<i>Board resolution on powers termination/dismissal</i>
Julia Mykolayivna Frolova	Chairman of the Board	Minutes #105 dated 31.10.2018	-
Serhiy Viktorovych Bocharov	Vice Chairman of the Board, Board member	Minutes #85 dated 24.12.2020	-
Viktor Hryhorovych Burkytsia	First Vice Chairman of the Board, Board member	Minutes #94 dated 07.12.2017	-
Oleksandr Vitalyovych Dragin	Head of Information Technologies Department, Board member	Minutes #2 dated 17.01.2022	-
Palyura Vitaly Volodymyrovych	Vice Chairman of the Board, Board member	Minutes #78 dated 01.12.2020	-
Oleksandr Oleksandrovich Chumak	Vice Chairman of the Board, Board member	Minutes #78 dated 01.12.2020	-

Assessment of the Management Board’s composition.

All the Management Board members have a university degree and meet the qualification requirements for business reputation and professional suitability.

The Management Board members do not have any conflicts of interest.

Each Board member has sufficient time to perform their duties, taking into account their responsibilities.

The Management Board members have skills to advocate their views and influence group decision-making, as well as the ability to monitor efficiently the decisions made by the Management Board and their implementation.

All the Management Board members have an impeccable business reputation, which is characterised by the absence of significant and/or systematic violations of banking, currency, tax, financial services, financial monitoring, financial instruments, joint stock companies and capital markets legislation; the absence of default on financial obligations, as well as their compliance with the standards of business practice and professional ethics.

Assessment of the Management Board’s competence and effectiveness.

The competence of the Management Board is understood to mean that Board members have a sufficient level of knowledge, skills, professional and managerial experience to successfully solve problems, make informed decisions, and ensure effective management and control of the Bank's activities in general, taking into account the functions and tasks assigned to the Management Board.

The members of the Management Board of the Bank jointly possess the knowledge, skills and experience necessary for the Management Board of the Bank to exercise its powers, to properly understand

the areas of the Bank's activities for which the members of the Management Board are jointly responsible, and have the experience and skills to effectively manage the Bank, in particular, in the following areas: risk management, compliance control, corporate governance, financial accounting and reporting, information technology and security management, business management of the Bank (all types of activities) strategic planning, work with distressed assets, investment activities, treasury, as well as professionally discussing issues to be resolved.

Sufficient level of knowledge, skills, professional and managerial experience of the members of the Bank's Management Board allow it to successfully solve problems, make informed decisions, as well as ensure effective management and control over the Bank's activities in general, taking into account the functions assigned to the Board.

Bank's Management Board's efforts resulted in positive changes in the Bank's financial and economic performance in 2022, taking into account the martial law in Ukraine.

Table of competences of the Bank management

Bank's board member's surname, name, patronimic, position	Evaluation criteria		Risk Management	Finance	Retail and Corporate Business	Security	Information Technologies	Working with troubled assets	Investment activities	Treasury	Corporate governance	Other key activities based on the bank's strategy and business model
1	2		3	4	5	6	7	8	9	10	11	12
Frolova Julia Mykolaivna, Head of the Board	Education		X	X	X	-	-	-	X	X	X	-
	Expertise	Managerial	X	X	X	-	X	X	X	X	X	-
		Professional	X	X	X	-	-	X	X	X	X	-
Burkytsia Viktor Hryhorovych, First Vice-Chairman of the Board, Board Member	Education		-	X	-	-	-	-	X	-	-	-
	Expertise	Managerial	X	X	3	-	-	X	X	X	X	-
		Professional	X	X	3	-	-	X	X	X	X	-
Palyura Vitaly Volodymyrovych, Vice-Chairman of the Board, Board Member	Education		-	X	-	-	X	-	-	-	-	-
	Expertise	Managerial	-	X	X	-	-	-	X	X	X	-
		Professional	X	X	X	-	-	X	X	X	X	-
Chumak Oleksandr Oleksandrovich, Vice-Chairman of the Board, Board Member	Education		-	X	X	-	-	X	X	X	-	-
	Expertise	Managerial	X	X	X	-	-	X	X	-	X	-
		Professional	-	X	X	-	-	3	-	X	X	-
Bocharov Serhii Viktorovych, Vice-Chairman of the Board, Board Member	Education		-	X	-	-	-	-	1	-	-	-
	Expertise	Managerial	-	X	X	-	X	X	X	X	X	-
		Professional	X	X	X	-	X	-	-	-	-	-
Dragin Oleksandr Vitaliyovych, Information Technologies Department Director, Board Member	Education		-	-	-	-	X	-	-	-	-	-
	Expertise	Managerial	-	-	-	X	X	-	-	-	-	-
		Professional	-	-	-	X	X	-	-	-	-	-

Key indicators of the Bank's financial and economic activity in the reporting year 2022

Item name	Reporting year	Previous year
Total Assets	10 119 443	11 483 252
Customer loan and debt	4 517 027	3 906 928
Customer accounts	5 857 144	7 697 311
Equity	990 064	913 102

Item name	Reporting year	Previous year
Net Operating Profit	1 277 581	1 103 521
Profit before taxation	95 521	403 984
Profit	76 962	331 059

Business model proposed by the Bank's Shareholder has proven its effectiveness and viability, including under martial law. According to the results of 2022, the Bank received a profit of UAH 77 million. The bank is profitable, including according to the Operating result (Profit without taking into account expenses deducted into reserves amounted to UAH 656.3 million), and, accordingly, capable of generating income in the future.

As of January 1, 2023, the regulatory capital of the Bank exceeded UAH 1 billion, which allows the Bank to comply with all economic norms and limits of the open currency position established by the National Bank of Ukraine, liquidity and capital standards are met with more than a significant margin (in particular, the actual value of the LCR was 360.2% against a regulatory value of 100.0% and the actual capital adequacy ratio H2 was 15.9% against a regulatory value of 10.0 %).

According to the data of the National Bank of Ukraine, as of January 1, 2023, JSC "BANK ALLIANCE" held the 24th position in terms of net assets (UAH 10.1 billion), 21st position in terms of the loan portfolio (UAH 4.5 billion) and 20th position by the volume of net profit according to the results of the reporting year.

One of the Bank's advantages on the market is an individual approach to each client and a high level of service, which continues to improve every day. Currently, some of the Bank's branches are fully equipped with alternative energy sources and backup communication channels, and, accordingly, are included in the POWER BANKING network.

The financial results of 2022 and quick operational adaptation to conditions of war are evidence of successful work of the Bank's Executive Body and give considerable confidence in the achievement of the Bank's strategic objectives for 2023-2025.

Information on remuneration of members of the executive body

Terms of accrual and payment of remuneration

For performing the functions and duties as a member of the Management Board of the Bank provided for in the Regulations on Remuneration of Members of the Management Board of the Bank and Agreements concluded with members of the Management Board, the Chairman/Member of the Management Board of the Bank shall be paid monthly remuneration (payment) at the expense of the Bank in the amount stipulated in the estimate specified in the Agreement concluded with the Bank.

The salary of a member of the Management Board for the month worked is paid together with the salary of all other categories of employees of the Bank for the corresponding period, in accordance with the current legislation of Ukraine.

The Bank pays the monetary reward (payment) in the national currency of Ukraine - hryvnia, by means of a cashless transfer of funds to the account of a member of the Bank's Management Board, specified in the details of the Agreement.

The payment of the monetary reward is carried out by the Bank twice a month:

- 16th of the current month - advance payment for the first half of the month;
- on the last day of the current month – the final sum for the month.

If a payday coincides with a weekend, holiday or non-working day, wages are paid the day before. An advance is paid to an employee for the time actually worked, on the basis of the employee's salary and paid leave for the part of the month up to the 16th day of the month.

Payment of remuneration to members of the Bank's Management Board is carried out in compliance with the requirements of the Regulation on the Procedure for Calculation, Accounting and Payment of Wages in JSC "BANK ALLIANCE".

Establishment of additional payments, allowances, bonuses, and other rewards for members of the Management Board is determined by the Bank's Council, including in compliance with the requirements of the Regulation on the remuneration of the members of the Management Board of JSC "BANK ALLIANCE" and the Regulation on bonuses and the establishment of allowances for the employees of JSC "BANK ALLIANCE".

The Bank, on the basis of supporting documents, can compensate a member of the Bank's Management Board for expenses incurred by him in connection with the performance of the functions (work) of a member of the Bank's Management Board, including, but not limited to: business trips, which include per diem for the time spent on business trips, the cost of travel to the destination and back, as well as housing rental expenses, and other expenses, compensation of which is directly provided for or possible in accordance with the legislation of Ukraine.

A member of the Bank's Management Board may be given funds for representative expenses, including in foreign currency (if he is/was on a business trip abroad).

All Contracts concluded with members of the Bank's Management Board are open-ended.

In case of termination of the Contract, the Bank is obliged to conduct a calculation of wages, guarantee, compensation and other payments with the member of the Management Board on the day of dismissal.

Reward for 2022

The total amount of wages paid to members of the Bank's Management Board for 2022 is UAH 14 245 685.10, including material assistance – UAH 576 035.00, premium – UAH 297 943.27.

The number of recipients is 6 people.

Remunerations from legal entities connected by control or affiliation were not accrued or paid.

Additional remuneration to members of the Management Board for special services outside the scope of normal functions was not accrued or paid.

Compensations and payments paid to former members of the Bank's Management Board in connection with the termination of their activities in 2022 were not paid.

Shares, share options and other financial instruments were not accrued or paid as remuneration to members of the Management Board.

Any deferred remuneration, including for previous years, was not paid.

There were no on-hire payments made during the fiscal year.

Total amount of wages paid to influential persons of the Bank for 2022 is UAH 5 597 357.52.

The number of recipients is 5 people.

Compensations and payments paid to former members of the Bank's Management Board in connection with the termination of their activities in 2022 were not paid.

Any deferred remuneration, including for previous years, was not paid.

There were no on-hire payments made during the fiscal year.

As of December 31, 2022, the Bank has 4 Board committees:

- Credit Committee (including the Small Credit Committee);
- Assets and Liabilities Management Committee;
- Tariff Committee;
- Operational Risk Management Committee.

COMPOSITION OF THE CREDIT COMMITTEE IN 2022:

CHANGES IN THE COMPOSITION OF THE CREDIT COMMITTEE IN 2022:

**Composition of the credit committee from January 1, 2022 to January 31, 2022
(Minutes of the Management Board No. 92 dated 13.12.2021)**

Chairman of the Credit Committee

First Vice Chairman of the Management Board

Viktor BURKYTSYA

Vice Chairman of the Credit Committee

Vice Chairman of the Management Board Oleksandr CHUMAK

Credit Committee Members

Chairman of the Management Board Julia FROLOVA
Head of Documentary and Credit Operations Department Volodymyr SURAEV
Head of the Legal Department Oksana OSADCHA
Deputy Head of the Bank Security Department Oleg LIKARENKO
Acting Head of the Risk Control Department Serhii KRAVCHENKO

**Composition of the credit committee from February 1, 2022 to December 31, 2022
(Minutes of the Management Board No. 9 dated January 31, 2022)****Chairman of the Credit Committee**

First Vice Chairman of the Management Board Viktor BURKYTSYA

Vice Chairman of the Credit Committee

Vice Chairman of the Management Board Oleksandr CHUMAK

Credit Committee Members

Chairman of the Management Board Julia FROLOVA
Head of Documentary and Credit Operations Department Volodymyr SURAEV
Head of the Legal Department Oksana OSADCHA
Deputy Head of the Bank Security Department Oleg LIKARENKO
Head of the Risk Control Department Serhii KRAVCHENKO

As of January 1, 2023 JSC "BANK ALLIANCE" Credit Committee composition is as follows:

Chairman of the Credit Committee

First Vice Chairman of the Management Board Viktor BURKYTSYA

Credit Committee Members

Chairman of the Management Board Julia FROLOVA
Vice Chairman of the Management Board Oleksandr CHUMAK
Head of Documentary and Credit Operations Department Volodymyr SURAEV
Head of the Legal Department Oksana OSADCHA
Deputy Head of the Bank Security Department Oleg LIKARENKO
Head of the Risk Control Department Serhii KRAVCHENKO

As of January 1, 2023 (for 2022), 187 meetings of the Credit Committee were held and decisions were made regarding:

- setting limits on transactions with counterparty banks;
- making provisions: for active operations, including documentary operations, receivables and derivative financial instruments, and for securities transactions;
- providing loans to legal entities;
- providing loans to individuals;
- issuing guarantees to legal entities;
- amending the lending terms under the concluded Loan Agreements;
- amending the guarantee agreements concluded;

- amending the agreements on bill avalisation;
- starting claims and lawsuits to recover debts;
- conducting repurchase transactions with bonds;
- disbursement of funds on demand;
- inventorying the provision for loans to legal entities as at 01.01.2022, taking into account the identified discrepancies, and recalculating it;
- payment of insurance compensation for an insured event;
- granting permission for sale of collateral;
- setting limits of avalisation;
- giving consent for transfer to the next mortgage;
- repayment of debt under the loan agreement;
- granting permission to foreclose on the mortgaged property;
- setting a limit on documentary letters of credit;
- issuing a documentary letter of credit;
- potential/problematic debts of JSC “BANK ALLIANCE”’s borrowers.

COMPOSITION OF THE SMALL CREDIT COMMITTEE IN 2022

CHANGES IN THE COMPOSITION OF THE SMALL CREDIT COMMITTEE IN 2022:

Composition of the Small Credit Committee from January 1, 2022 to January 31, 2022 (Minutes of the Management Board No. 85 dated 15.11.2021)

Chairman of the Small Credit Committee

Head of Documentary Operations Department Oleksandr NEKHOMIAZH

Small Credit Committee members:

Head of Documentary and Credit Operations Department Volodymyr SURAEV

Acting Head of Risk Control Department Serhii KRAVCHENKO

Head of the Documentary Operations Support Unit of the Legal Department Natalia PODGURSKA

Composition of the Small Credit Committee from February 1, 2022 to December 31, 2022 (Minutes of the Management Board No. 9 dated 31.01.2022)

Chairman of the Small Credit Committee

Head of Documentary Operations Department Oleksandr NEKHOMIAZH

Small Credit Committee members:

Head of Documentary and Credit Operations Department Volodymyr SURAEV

Head of Risk Control Department Serhii KRAVCHENKO

Head of the Documentary Operations Support Unit of the Legal Department Natalia PODGURSKA

As of January 1, 2023 JSC “BANK ALLIANCE” Small Credit Committee composition is as follows:

Chairman of the Small Credit Committee

Head of Documentary Operations Department Oleksandr NEKHOMIAZH

Small Credit Committee members:

Head of Documentary and Credit Operations Department Volodymyr SURAEV

Head of Risk Control Department Serhii KRAVCHENKO

Head of the Documentary Operations Support Unit of the Legal Department Natalia PODGURSKA

As of 01.01.2023 (for the year 2022), 109 meetings of the Small Credit Committee were held and decisions were made within granted authority regarding:

- providing tender and performance guarantees to legal entities and individual entrepreneurs;
- providing advance payment refund and payment guarantees to legal entities and individual entrepreneurs;
- opening guarantee limits (guarantee lines) for issuing guarantees to legal entities and individual entrepreneurs;
- amendments to existing guarantee agreements

THE ASSET AND LIABILITY MANAGEMENT COMMITTEE (ALCO) COMPOSITION IN 2022
CHANGES IN THE ASSET AND LIABILITY MANAGEMENT COMMITTEE (ALCO) COMPOSITION IN 2022:

Composition of ALCO from 31.01.2022 to 24.02.2022
(Minutes of the Management Board No. 8 dated 08.01.2022)

Chairman of ALCO

Vice Chairman of the Management Board Oleksandr CHUMAK

Vice Chairman of ALCO

Chairman of the Management Board Julia FROLOVA

ALCO members

Vice Chairman of the Management Board Vitaliy PALIURA

Chief Retail Business Development Officer Viktor KULIK

Head of the Treasury Department Serhii Khlyakin

Head of Risk Control Department Serhii KRAVCHENKO

The composition of ALCO from 25.02.2022 and as of 01.01.2023 is as follows:
(Minutes of the Management Board No. 20 dated 25.02.2022)

Chairman of ALCO

Vice Chairman of the Management Board Oleksandr CHUMAK

Vice Chairman of ALCO

Chairman of the Management Board Julia FROLOVA

ALCO members

Vice Chairman of the Management Board Vitaliy PALIURA

Head of the Treasury Department Serhii Khlyakin

Head of Risk Control Department Serhii KRAVCHENKO

As of 01.01.2023 (for 2022), 152 meetings of ALCO were held, at which the following issues were addressed among others:

- Setting and updating interest rates on deposit products for retail and corporate clients;
- Setting and updating interest rates for corporate and retail loans;
- Setting interest rates for deposit programmes, current account balances, placement terms, etc. for individual customers of the Bank;
- Setting and updating cash limits, limits and structure of the government bonds portfolio, etc.

In general, the work of the Assets and Liabilities Management Committee is coordinated and effective. The ALCO's activities take into account crucial elements necessary for effective work (quantitative and qualitative composition of the ALCO, its competence, and the process of interaction between the ALCO and the Bank's structural units and the Management Board).

COMPOSITION OF THE TARIFF COMMITTEE IN 2022

Changes in Tariff Committee composition in 2022 were related to the change of Serhii KRAVCHENKO's position and the change of Oleksiy IVANOV's position twice.

Composition of the Tariff Committee from 14.12.2021 to 19.01.2022 (Minutes of the Management Board No. 92 dated 13.12.2021)

Chairman of the Tariff Committee

Deputy Chief Accountant Victoria REGURETSKA

Vice Chairman of the Tariff Committee

Acting Head of Risk Control Department Serhii KRAVCHENKO

Tariff Committee members:

Vice Chairman of the Management Board Oleksandr CHUMAK

Head of Operations Department Victoria ILCHENKO

Head of the Corporate Business Development Department Serhii BRODSKY

Head of the Software Department of the IT Department Oleksiy IVANOV

Director of the Documentary and Credit Operations Department Volodymyr SURAEV

Composition of the Tariff Committee from 20.01.2022 to 31.01.2022 (Minutes of the Management Board No. 4 dated 19.01.2022)

Chairman of the Tariff Committee

Deputy Chief Accountant Victoria REGURETSKA

Vice Chairman of the Tariff Committee

Acting Head of Risk Control Department Serhii KRAVCHENKO

Tariff Committee members:

Vice Chairman of the Management Board Oleksandr CHUMAK

Head of Operations Department Victoria ILCHENKO

Head of the Corporate Business Development Department Serhii BRODSKY

Head of the Information Systems Development Division of the IT Department Oleksiy IVANOV

Director of the Documentary and Credit Operations Department Volodymyr SURAEV

Composition of the Tariff Committee from 01.02.2022 to 04.02.2022 (Minutes of the Management Board No. 9 dated 31.01.2022)

Chairman of the Tariff Committee

Deputy Chief Accountant Victoria REGURETSKA

Vice Chairman of the Tariff Committee

Head of Risk Control Department Serhii KRAVCHENKO

Tariff Committee members:

Vice Chairman of the Management Board	Oleksandr CHUMAK
Head of Operations Department	Victoria ILCHENKO
Head of the Corporate Business Development Department	Serhii BRODSKY
Head of the Information Systems Development Division of the IT Department	Oleksiy IVANOV
Director of the Documentary and Credit Operations Department	Volodymyr SURAEV

**The composition of the Tariff Committee from 05.02.2021 till now
(Minutes of the Management Board No. 11 dated 04.02.2022)****Chairman of the Tariff Committee**

Deputy Chief Accountant	Victoria REGURETSKA
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Vice Chairman of the Tariff Committee

Head of Risk Control Department	Serhii KRAVCHENKO
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Tariff Committee members:

Vice Chairman of the Management Board	Oleksandr CHUMAK
Head of Operations Department	Victoria ILCHENKO
Head of the Corporate Business Development Department	Serhii BRODSKY
Head of the Information Systems Support Division of the IT Department	Oleksiy IVANOV
Director of the Documentary and Credit Operations Department	Volodymyr SURAEV

In 2022, 91 meetings of the Tariff Committee were held and the following issues were addressed:

- approval of **standard terms and conditions** for servicing clients - individuals and legal entities (updating existing and approving new tariffs and tariff packages for settlement and cash services for corporate and retail clients, approval of payment card service tariffs);
- approval of **individual terms and conditions** for servicing legal entities (as part of cash and settlement services for corporate clients and transfers in favour of legal entities; approval of tariffs for cash and settlement services, cash withdrawals from accounts; purchase and sale of foreign currency at the FX market and payments in foreign currency);
- setting individual fees for providing bank guarantees (for participation in a tender and conclusion of contracts based on the results of tenders).

OPERATIONAL RISK MANAGEMENT COMMITTEE (ORMC) COMPOSITION IN 2022:

ORMC Composition from 15.11.2021 to 30.01.2022
(Minutes of the Management Board No. 85 dated 15.11.2021)

Chairman of the ORMC:

Acting Head of Risk Control Department	Serhii KRAVCHENKO
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Vice Chairman of the ORMC:

Deputy Chief Accountant	Victoria REGURETSKA
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ORMC members

Chief Retail Business Development Officer	Viktor KULIK
Head of Operations Department	Victoria ILCHENKO

Head of the Legal Department	Oksana OSADCHA
Head of the Information Security Department	Vladyslav ZIMENKO
Head of the Information Technology Department	Oleksandr DRAGIN
ORMC Composition from 31.01.2022 to 20.02.2022 (Minutes of the Management Board No. 9 dated 31.01.2022)	
Chairman of the ORMC:	
Head of Risk Control Department	Serhii KRAVCHENKO
Vice Chairman of the ORMC:	
Deputy Chief Accountant	Victoria REGURETSKA
ORMC members	
Chief Retail Business Development Officer	Viktor KULIK
Head of Operations Department	Victoria ILCHENKO
Head of the Legal Department	Oksana OSADCHA
Head of the Information Security Department	Vladyslav ZIMENKO
Head of the Information Technology Department, Management Board member	Oleksandr DRAGIN
ORMC Composition from 21.02.2022 to 31.12.2022 (Minutes of the Management Board No. 9 dated 31.01.2022)	
Chairman of the ORMC:	
Head of Risk Control Department	Serhii KRAVCHENKO
Vice Chairman of the ORMC:	
Deputy Chief Accountant	Victoria REGURETSKA
ORMC members	
Head of Operations Department	Victoria ILCHENKO
Head of the Legal Department	Oksana OSADCHA
Head of the Information Security Department	Vladyslav ZIMENKO
Head of the Information Technology Department, Management Board member	Oleksandr DRAGIN

In 2022, 4 meetings of the Committee were held, 12 issues were reviewed and corresponding decisions were made.

The Committee's tasks include supervision of effective functioning of the operational risk management system at the bank division level, the development of tools for identification, assessment, monitoring and control of operational risks; approval and review of key risk indicators; monitoring compliance with edge values of key operational risk indicators and examining the cause of violation; participation in development of procedures and methods for effective operational risk management; examination of identified operational risks, establishing the cause and consequence of their realization, recommending measures for avoiding similar cases in the future among others.

The following issues were reviewed at the committee meetings:

1. Reviewing the results of operational risk stress testing as of January 1, 2022.
2. Reviewing the results of monitoring key control indicators and key indicators of operational risk, including information risk.
3. Consideration and recognition of costs associated with spread of the virus that caused the large-scale outbreak of COVID-19, a respiratory disease with severe complications and high mortality rate.
4. Determination of the amount of operational risk arising in the bank as a result of military aggression of the Russian Federation against Ukraine.

5. Reviewing reports on operational risks, including results of self-assessment of operational (information) risk for 2021.

The Secretary of the Committee overwatched execution by persons responsible of assignments determined at the meetings of the Committee.

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

Key features of the activity control system

The Bank does not have a Revision Commission.

In accordance with JSC "BANK ALLIANCE" Charter, certain issues related to the Bank's activities fall within the competence of the following governing bodies:

General shareholder meetings	Setting the key areas of activity (strategy)
	Approval of the annual financial report, or balance sheet, or budget
	Election and termination of powers of the chairman and members of the Council
	Determining the size of the remuneration for the chairman and members of the Council
	Making a decision on the additional issue of shares
	Deciding on the repurchase, sale and placement of treasury shares
Council	Approval of operation plans (business plans)
	Election and termination of powers of the chairman and members of the executive body
	Determining remuneration amount for the chairman and members of the executive body
	Decision-making on bringing members of the executive body to liability
	Approval of the external auditor
	Approval of contracts in respect of which there is a conflict of interest
Executive body	Other matters related to the management of the Bank's day-to-day operations, except for matters within exclusive competence of the General Meeting and the Board of the Bank
Not covered by any body	Election and dismissal of the Chairman and members of the Revision Commission

The Conflicts of Interest Policy provides for the inadmissibility of conflicts of interest: managers and employees are not entitled to vote on any issue that may cause a conflict of interest.

The provisions on conflicts of interest, i.e. a conflict between personal interests of an officer or related parties and the obligation to act in the interests of the Bank, are contained in the Conflict of Interest Prevention Policy of JSC "BANK ALLIANCE".

The Bank is constantly working to improve the system aimed at minimizing the risk (avoidance) of conflicts of interest in the Bank.

The Bank has the following documents in place for activity control:

Provision Name	Exists
On general shareholder meetings	Yes
On supervisory board	
On executive body	
On joint-stock company shares	
On Company's officers	No
On revision commission (or reviser)	
On procedure for profit distribution	

Shareholders can obtain information on the Bank's activities as follows:

	Information is distributed during general meetings	Published in the press, disclosed in the NSSMC's public information database on the securities market	Documents are provided for review directly in the company	Document copies are provided upon shareholder's request	Information is posted on the company's website
Financial statements, performance results	Yes	Yes	Yes	Yes	Yes

Information on shareholders holding 10 per cent or more of the share capital	Yes	Yes			Yes
Information on the company's management bodies	Yes	Yes			Yes
Charter and internal documents	Yes		Yes	Yes	Yes
General shareholders' meeting minutes after their holding	Yes		Yes	Yes	Yes
Compensation of the company's officials	Yes		Yes	Yes	Yes

Information on the compensation of officers is provided to shareholders to the extent required by law.

The Bank's financial statements are prepared in accordance with international financial reporting standards.

Information on how many times per year, on average, the Bank was audited by an independent auditor (audit firm) during the reporting period:

	Yes	No
Never		X
Less than once a year		X
Once a year	X	
More often than once a year		X

Information on the body that made the decision to approve the independent auditor (audit firm):

	Yes	No
General shareholder meeting		X
Council	X	
Executive body		X
Other (write down)		

Information on a body initiating the revision commission (reviser) to conduct the last inspection:

	Yes	No
Personal initiative		X
By general meeting order		X
By Supervisory Board order		X
On request of the executive body		X
On request of shareholders holding more than 10 per cent of the votes in aggregate		X
Other (write down)		

Internal control system

The Bank has established and implemented an effective internal control system based on the segregation of duties between the Bank's units, except for the functions that fall within the exclusive competence of the Bank's Council/Management Board/committees as required by the laws of Ukraine and regulations of the National Bank of Ukraine.

This division is based on the three lines of defence model, namely:

1) the first line of defence is at the level of business and support units of the Bank. These units initiate, perform or reflect transactions, accept risks in the course of their activities and are responsible for the ongoing management of these risks, implement control measures;

2) the second line of defence is at the level of risk management and compliance units. These units provide assurance to the Bank's management that risk control and management measures implemented by the first line of defence have been designed and are functioning properly;

3) the third line of defence is at the level of internal audit unit, which independently assesses effectiveness of the first and second lines of defence and the overall effectiveness of the internal control system.

The Bank has set out in its internal documents procedures and control measures to be applied by units of each defence line.

The Bank has ensured the availability of suitable employees, equipment, software, premises that meet the requirements established by the National Bank for the proper functioning of the internal control system.

The Bank implements control procedures:

1) organizationally by:

- distributing powers, duties and responsibilities for internal control within the Bank's organizational structure between divisions, managers and employees. The subordination, duties, rights and responsibilities of employees are defined in job descriptions;
- implementation of necessary control procedures, restrictions to ensure effective functioning of the internal control system;
- providing in departmental regulations control functions performed by each one;
- regular assessment of the Bank's risks and control measures;
- ensuring information security and organizing proper information exchange;
- monitoring effectiveness of the internal control system, including assessment of its effectiveness through inspections by internal audit unit;

2) methodologically, by describing internal control system in internal documents, including periodicity and terms of implementation of control measures, officials entrusted with control;

3) technologically, by automating control procedures in the Bank's information systems, taking into account the Bank's opinion on economic feasibility of automating such procedures.

The Bank integrated the internal control system into the Bank's corporate management system by:

1) creation of an appropriate organizational structure;

2) defining in the internal bank documents the powers, subordination, accountability, description and distribution of functional duties of persons involved in the functioning of the internal control system, their responsibility and the procedure for interaction.

Norms and requirements for the functioning of the Bank's internal control system are determined by the Regulation on organization of the internal control system in JSC "BANK ALLIANCE".

The internal control at the Bank is carried out as follows:

- *firstly*: all internal documents of the Bank introduce a procedure for performing certain functions with the final result in the form of a document (receipt, memorial order, agreement, order, etc.);
- *secondly*: the person responsible for internal control checks the availability of documents for transactions and draws conclusions on the compliance of the document with the transaction, checks the powers of the Bank's employees who perform it and employees who exercise control (the "Two Hands" principle).

Internal control in the Bank is carried out according to the following hierarchy:

- control of heads of structural subdivisions over employees' performance of their functional duties in accordance with job instructions (job instructions are revised as necessary);
- control of the Management Board over the work (activity) of the Bank's structural divisions (including Bank branches);
- the Council's control over the activities of the Bank's Management Board in accordance with the Bank's Charter.

To assess the effectiveness of the internal control system, the Compliance Department takes into account the following criteria:

- 1) the Bank has an organizational structure of the internal control system, which includes the distribution of functions between control subjects with the possibility of clearly defining the persons responsible for the performance of these functions;
- 2) availability of documents regulating:
 - building principles of the internal control system;
 - functions and powers of employees of the Bank and its divisions in the internal control system;
 - the order of interaction and distribution of powers of the Bank's subdivisions in the implementation of internal control;
 - the procedure for identifying deficiencies and organizing reporting on the functioning of the internal control system;
 - control over the effectiveness of the internal control system;
- 3) responsibility of each specific employee of the Bank in performing the functions provided for in his job description;
- 4) coverage by control measures of all significant operations and products of the Bank;
- 5) compliance of the Bank's policies and procedures with the requirements of legislation, regulatory and administrative acts of the National Bank, internal bank documents, standards of professional associations, the effect of which applies to the Bank.

Availability of a risk management system and its key characteristics

The Bank's risk management strategy defines the methods of assessing, limiting and reducing risks, as well as the procedure for risk management, which reflects the division of functions related to risk and capital management between the Board, the Management Board, committees and divisions of the Bank that perform risk management functions.

The purpose of implementing the Strategy is:

- meeting the expectations of shareholders interested in long-term activity and successful functioning of the Bank, which ensures profitability from invested funds;
- ensuring effective functioning of the risk management system, which increases reliability for all interested parties: clients and creditors of the Bank, employees and others;
- ensuring compliance of the Bank's activities with the requirements of the National Bank of Ukraine.

As part of the Bank's risk management, the following issues are to be solved:

- identification and assessment of significant types of risks;
- assessment, aggregation, forecasting and stress testing of the level of significant risks;
- creation of mechanisms for managing structure and volume of risks accepted by the Bank, including establishing a system of limits for the purpose of limiting (controlling) the Bank's risks;
- monitoring and control of the amount of accepted risk, implementation of measures to reduce the level of accepted risk by the Bank in order to maintain it within the established external and internal limits;
- fulfillment of standards and restrictions established by the NBU;
- ensuring effective allocation of resources to optimize the ratio of risk and profitability of the Bank;
- assessment of sufficiency of available financial resource to cover significant risks;
- capital planning based on the results of comprehensive assessment of significant risks, testing the Bank's stability in relation to internal and external risk factors, business development strategy guidelines, NBU requirements for capital adequacy;
- preparation of reports and their timely submission to the relevant collegial bodies of the Bank in accordance with established / agreed formats and deadlines;
- development of the Bank's risk culture and risk management competencies, taking into account the best global practices.

Taking into account the specificity of risks:

- credit risk;
- liquidity risk;

- interest rate risk of the bank book;
- market risk;
- operational risk;
- compliance risk,

The Bank considers them to be significant on an ongoing basis.

For effective risk management and taking into account the need to minimize the conflict between accepting risks, limiting and controlling the level of risks, as well as auditing the risk management system, the Bank's organizational structure is formed taking into account the need to distribute functions and responsibilities between the Bank's divisions in accordance with the principle of "3 lines protection":

- at the level of structural subdivisions of the Bank that carry out operations and directly accept risks (front offices) and structural subdivisions that register operations (back offices) - first-level control or linear control;
- at the level of the risk management and compliance control units - second-level control;
- at the level of checking and evaluating the effectiveness of the risk management system functioning by the Internal Audit Service - third-level control.

The components of the Bank's risk management system are:

- The Bank's Supervisory Board;
- The Bank's Management Board;
- Credit Committee of the Management Board;
- Assets and Liabilities Management Committee of the Management Board;
- Operational Risk Management Committee of the Management Board;
- Internal audit department;
- Risk Management department;
- Compliance Control Unit;
- Business and support units.

The general strategy of risk management in the Bank is determined by the Bank's Supervisory Board, the management of the risk management process is carried out by the Bank's Management Board. The risk control department ensures the effectiveness of the risk management system, the compliance department ensures compliance with regulations.

The Supervisory Board of the Bank, in accordance with its functions:

- is responsible for establishing a comprehensive, adequate and effective system for managing the risks to which the Bank is exposed in its activities;
- controls adequacy and effectiveness of the risk management system;
- ensures operation and control over the effectiveness of the risk management system;
- approves internal bank documents on risk management issues and supervises their implementation, compliance and timely updating;
- determines the basic principles of the Bank's organisational structure, risk management information system and internal control to ensure effective risk management;
- approves the Recovery Plan and ensures the performance of functions related to the recovery of the Bank's activities;
- approves the list of limits (restrictions) for each type of risk and the procedure for escalation of violations of risk limits;
- approves the appointment and dismissal of the heads of the Chief Risk Officer (CRO) and the Chief Compliance Officer (CCO);
- approves the financial support (budget) for the risk management and compliance departments, sets the remuneration of the heads of these departments and monitors their performance/compliance;
- determines the nature, format and volume of information on risks, reviews management reporting on risks and, if the Bank's risk profile does not correspond to the approved risk appetite, immediately makes a decision on the application of adequate measures to mitigate risks;
- takes measures to prevent conflicts of interest in the Bank, promotes their settlement and informs the National Bank about conflicts of interest arising in the Bank;

- other functions in accordance with the requirements of the legislation of Ukraine, the Charter of the Bank, Regulations on the Supervisory Board of the Bank.

The Bank's Management Board interacts with the Bank's Supervisory Board on risk management issues:

- ensures development and approval of internal bank risk management documents;
- ensures preparation and submission to the Supervisory Board of the Bank of management reporting on risks to which the Bank is exposed, which includes information on new types of products or significant changes in the Bank's activities;
- ensures preparation and submission of proposals to the Bank's Supervisory Board regarding the need to make changes to the risk management strategy and policy;
- ensures control over bringing to the attention of the relevant structural units and employees of the Bank information about the changes made to the risk management strategy and policy, other internal bank documents on risk management issues;
- develops measures for prompt elimination of deficiencies in functioning of the risk management system, implementation of recommendations and comments based on the results of risk assessment, inspections of the internal audit unit, external auditors and supervisory authorities;
- approves limits for each type of risk in accordance with the list of limits (restrictions) determined by the Supervisory Board of the Bank;
- determines the forms and establishes the procedure for monitoring the Bank's activities;
- ensures security of the Bank's information systems and systems used to store clients' assets;
- informs the Supervisory Board about performance of the Bank, detected violations of legislation, internal documents of the Bank and about any deterioration of the Bank's financial condition or a threat of such deterioration, about level of risks arising in the course of the Bank's activities;
- provides administrative support for performance of functions assigned to them by the managers of the second line of defense, the risk management and compliance control units (ensures the organization of their work process, issues administrative documents for implementation of the decisions of the Bank Council);
- other functions in accordance with the requirements of the legislation of Ukraine, the Bank's Charter, the Regulations on the Bank's Management Board.

To control and reduce the level of significant risks, the Bank may decide to hedge risks, including through insurance. In particular, as per the Credit Policy, in terms of credit risk mitigation, the Bank accepts property as collateral for credit transactions in compliance with the principle of preservation, which provides for existence of an insurance contract for the collateral against loss/damage, the beneficiary of which is the Bank.

In accordance with the Risk Management Strategy, risk exposure management involves setting the Bank's risk tolerance level by determining a system of limits (risk limitation). The decision to conduct any transaction is made only after a detailed and complete analysis of the risks arising from such a transaction. All transactions are conducted in compliance with internal and/or organisational documents. New transactions involving significant risks are not allowed in the absence of internal and organisational documents or relevant decisions of collegial bodies regulating the procedure for their implementation.

The Bank's risk tolerance levels are set as per the "Declaration of Risk Appetite of BANK ALLIANCE JOINT STOCK COMPANY", which is approved by the Supervisory Board of the Bank and reviewed at least once a year (based on the Bank's performance for the year, or in case of significant changes in the Bank's business model, significant changes in the structure and quality of asset and liability portfolios). The Declaration is an integral part of the risk management system, is based on compliance with the break-even principle and is aimed at ensuring sustainable development within the framework of the Bank's Development Strategy and determines the aggregate amount of risk appetite, the types of risks that the Bank accepts or avoids in order to achieve its business goals, and the level of risk appetite for each of them.

As of January 1, 2023, the Bank's tolerance levels for the following risks have been established

- credit;
- liquidity;
- interest rate;

- market;
- currency;
- operational;
- compliance.

Zero risk tolerance level (risk that the Bank does not intend to accept and retain in order to achieve its business objectives) is set for:

- market risks inherent in trading book instruments;
- risk of default;
- interest rate risk of the trading book;
- credit spread risk;
- volatility risk;
- equity risk;
- commodity risk.

Risk control department reports to the Supervisory Board on compliance with established tolerance levels on a quarterly basis.

The Bank is constantly improving its risk management system for risk mitigation.

As of the reporting date, the Bank complies with all economic regulations and currency position limits established by the National Bank of Ukraine, including liquidity and capital. Information on the structure of regulatory capital, capital ratios, and material types of risks is provided in the Annual Financial Statements of JSC "BANK ALLIANCE for 2022".

Facts of internal rules violation by members of the Supervisory Board and the executive body of the financial institution, harming the financial institution or consumers of financial services

In 2022, there were no facts of violation of internal rules by the members of the Bank's Council and the Management Board that could have caused damage to the Bank or consumers of financial services provided by the Bank.

6.7. List of persons who directly or indirectly control a significant stake in the company

The significant shareholder (also the person exercising control over the financial institution) is a Ukrainian citizen Oleksandr Yosypovych Sosis, who as of 31.12.2022 holds a stake of 89.289006% of the Bank's share capital. The owner meets the requirements of the law. In 2022 the Bank had no other holders owning shares in the amount of 5% or more of the authorized capital. There were no changes in the Bank's significant stakeholders in 2022.

6.8. Information about any restrictions of shareholder's (participant's) rights to participate and vote of at the general meeting

The Bank's Charter does not provide for any additional restrictions on the rights of participation and voting at the general meeting of shareholders for holders of ordinary registered shares of the Bank, except for the restrictions provided for by the laws of Ukraine. The Bank has not placed any privileged shares.

According to the Register of holders of registered securities as of 31 December 2022, compiled by the PJSC "National Depository of Ukraine", total number of shares placed by the Bank is 16,000,000 (sixteen million) ordinary registered shares, total number of voting shares of BANK ALLIANCE JSC is 15,906,053 (fifteen million nine hundred and six thousand fifty-three) ordinary registered shares, the number of voting shares for which voting rights were transferred to another person as a result of restriction of such rights is 0.

The Issuer did not initiate and did not have any restrictions on the circulation of the Issuer's securities in the reporting period, including the need to obtain consent from the Issuer or other persons for the alienation of such securities.

Restrictions on shareholders' voting rights at the general meeting may be related solely to the Law of Ukraine "On the Depository System of Ukraine" (shareholders have not entered into an agreement with the depository institution for servicing a securities account on their own behalf and have not transferred their rights to securities to their securities account or their depository institution has ceased to operate)."

Information on any restrictions on shareholder participation and voting rights at the issuer's general meeting held in 2022:

Total number of shares	Number of shares with restrictions	The reason for restrictions	Date of limitation
16 000 000	93 947	The Law of Ukraine "On the Depository System of Ukraine"	11.10.2013

6.9. Procedure for officials' appointment and dismissal. Information on any remuneration or compensation paid to the officers in case of their dismissal during the reporting period

The procedure for electing (appointing) and dismissing members of the Bank's Council.

The Council of the Bank is elected by the General Meeting from among the Bank's shareholders, their representatives and independent directors. The Council consists of the Chairman and other members of the Council.

The chairman and members of the Council are elected by shareholders during the General Meeting for a term of three years and take office after their approval by the National Bank of Ukraine. If, after the end of the period of review of documents submitted by the Bank, the National Bank of Ukraine has not notified the Bank on the decision on approval for the post of Chairman or member of the Council, the candidate is deemed to have been approved for the respective position.

The approval of the National Bank of Ukraine for the positions of the Council members is not required in the following cases:

- re-election of Council members to the position held at the time of such re-election/reappointment, if the NBU has previously approved them for this position in the Bank;
- change of the position of the Council members (except for election as an independent director), if the National Bank of Ukraine has previously approved them for the position in the Bank's Council;
- election/appointment of a Council member to the position if the National Bank of Ukraine has previously approved them as a candidate for this position and no more than six months have passed since the date of such approval.

The powers of the Council members are terminated, except for the powers to prepare, convene and hold the annual General Meeting, if the annual General Meeting of the Bank was not held within the period established by the legislation of Ukraine.

Without a decision of the General Meeting, the powers of a member of the Council are prematurely terminated:

- at their own request and on condition of written notification of this to the Bank 14 calendar days in advance;
- in case of impossibility of performing the duties of a member of the Council due to the state of health;
- in case of the entry into force of a verdict or court decision sentencing them to a punishment that precludes them from performing the duties of a Council member;
- in the event of death, recognition as incapacitated, partially incapacitated, missing or deceased;
- in case the Bank receives a written notification about replacement of a member of the Board who is a shareholder's representative;
- in the event that the Bank receives a request from the National Bank of Ukraine to terminate the powers of the Chairman or Council member due to improper performance of the functions assigned to them;
- in the event that the Bank receives a request from the National Bank of Ukraine to replace a member of the Council due to non-compliance of their professional suitability and business reputation with the current legislation of Ukraine.

The procedure for appointing and dismissing members of the Bank's Management Board.

The Chairman of the Management Board, their deputies and members of the Management Board are appointed by the Board of the Bank. The decision on the appointment of the Chairman and members of the Board is made by a simple majority vote of the members of the Council who participate in the meeting of the Council, and the vote of the Chairman of the Council is decisive in case of an equal distribution of votes. Voting is held separately for each of the candidates for the Bank's Management Board.

The Chairman of the Management Board, their deputies and members of the Bank's Management Board, based on duties of each member of the Bank's Management Board, must constantly meet the

qualification requirements established by the Law on Banks and Banking Activities and regulatory legal acts of the National Bank.

The Chairman of the Bank's Management Board takes office only after their approval by the National Bank of Ukraine.

The powers of the Chairman, their deputies and members of the Bank's Management Board are terminated by the decision of the Bank's Council.

6.10. Powers of officials

The Chairman and Members of the Board, in order to exercise the authority of the Board as a collective body as defined in Article 13 of the Bank's Charter, have the following powers:

Members of the Council:

- to receive complete, accurate and timely information about the Bank necessary to perform their functions. To get acquainted with the Bank's documents, receive copies thereof, as well as copies of documents of the Bank's structural units;
- within the time limits stipulated by the Regulations on the Supervisory Board of JSC BANK ALLIANCE, receive the agenda and information package for the meetings of the Council;
- to request convening of extraordinary meetings of the Board;
- in case of disagreement, provide written comments on the decisions of the Board or issues previously reviewed by the relevant Committee of the Board;
- to participate in regular and extraordinary General Meetings;
- to hear reports of the Management Board and the Bank's officials on certain issues of the Bank's activities;
- to participate in meetings of the Management Board;
- to involve experts in analysing certain issues of the Bank's activities.

The Chairman of the Council organizes the work of the Council, convenes Council meetings and presides over them, organizes the keeping of minutes at meetings, ensures the storage of Council minutes, and has the same powers as Council Members.

The Chairman and Members of the Management Board of the Bank, in order to exercise the authority of the Management Board as a collective body as defined in Article 14 of the Bank's Charter, have the following powers:

Chairman of the Management Board:

- represent the Bank's interests in relations with any state authorities, enterprises, institutions, organisations of all forms of ownership and public organisations, in all law enforcement and regulatory authorities without a power of attorney; perform any transactions and take all legally significant actions on behalf of the Bank;
- issue powers of attorney on behalf of the Bank;
- convene meetings of the Management Board, determine their agenda and vote at them;
- distribute duties among the members of the Management Board, Deputy Chairmen of the Management Board and members of the Management Board and determine their functional powers, delegate certain powers to the members of the Management Board and Deputy Chairmen of the Management Board by the members of the Management Board of the Bank, as well as to other employees of the Bank, including on the basis of issued powers of attorney;
- hire and dismiss employees of the Bank, take incentive measures based on their performance and impose disciplinary sanctions. To approve job descriptions of the Bank's employees;
- issue orders, instructions and give instructions binding on all employees of the Bank, including separate subdivisions;
- represent the employer's interests before the labour collective, sign the Collective Agreement on behalf of the administration. Demand the convening of extraordinary meetings of the Bank's Board, participate in meetings of the Board in an advisory capacity. Participate in the General Meeting;
- Dispose of property and funds of the Bank in accordance with the current legislation of Ukraine and the Bank's Charter;
- take measures for pre-trial settlement of disputes, sign claims and complaints, sign all documents related to court proceedings of claims and complaints, represent the interests of the Bank in courts with all rights granted by law to a plaintiff, defendant, third party in a court proceeding, including to

waive claims in full or in part, recognise a claim, change the subject matter of a claim, enter into an amicable agreement, appeal against a court decision, submit an enforcement document for collection or issue a power of attorney to perform the relevant actions to another person;

- to submit issues related to the Bank's activities to the Management Board, the Bank's Council, the General Meeting in accordance with the established procedure;
- submit to the Bank's Board proposals on candidates for election to the Management Board.

All Members of the Bank's Management Board ensure fulfillment of tasks and decisions of the Bank's Board regarding the implementation of the risk management system, including risk management strategy and policy, risk management culture, procedures, methods and other measures of efficient risk management.

All Members of the Bank's Management Board have the authority to:

- receive complete, reliable and timely information necessary for the performance of their functions;
- make proposals, participate in the discussion and vote on issues of the agenda at the meeting of the Bank's Management Board. To submit to the Chairman of the Management Board proposals for improvement of the Bank's activities on issues within the competence of a member of the Management Board;
- initiate convening of meetings, including meetings of the Bank's Management Board;
- act on behalf of the Bank on the basis of a power of attorney issued by the Chairman of the Board;
- provide written comments on the Board's decision;
- require employees of the Bank's subordinate units, in accordance with the organisational structure of the Bank, to perform their duties in a timely and high-quality manner, in compliance with the requirements of the Bank's internal documents. Control the performance of assigned tasks by the Bank's subordinate structural units.

6.11. Business description

The purpose of the Bank's activities

In accordance with the Charter of JOINT STOCK COMPANY BANK ALLIANCE effective as of 31.12.2022

"The purpose of the Bank's activities is to meet public needs for banking and other financial services (except for insurance services), other activities of banks as defined by the current legislation of Ukraine; to attract, accumulate, ensure the movement and redistribution of money supply, as well as to make a profit based on the results of activities not prohibited by the current legislation of Ukraine."

The issuer's organisational structure, subsidiaries, branches, representative offices and other separate structural units, including name and location, role and development prospects, changes in the organisational structure compared to the previous reporting periods

Commercial Joint-Stock Bank Alliance-Credit Bank was established as an open joint-stock company in accordance with the decision of the Founders' Meeting (Minutes No. 1 dated 09.03.1992) and registered by the National Bank of Ukraine on 10.03.1992 under the registration No. 89. In accordance with the decision of the General Shareholders' Meeting (Minutes No. 11 dated 31.03.1993), Commercial Joint-Stock Bank Alliance-Credit Bank changed its name to Joint-Stock Commercial Bank ALLIANCE CREDIT BANK, which was registered by the National Bank of Ukraine on 30.07.1993. Joint-Stock Commercial Bank ALLIANCE CREDIT BANK became the legal successor to all rights and obligations of Commercial Joint-Stock Bank Alliance Credit Bank. In accordance with the decision of the General Shareholders' Meeting (Minutes No. 52 of 24.05.1996), Joint-Stock Commercial Bank ALLIANCE CREDIT BANK changed its name to Joint-Stock Commercial Bank "Alliance", which was registered by the National Bank of Ukraine on 24.07.1996. Joint-Stock Commercial Bank "Alliance" became the legal successor to all rights and obligations of Joint-Stock Commercial Bank "ALLIANCE CREDIT BANK". Pursuant to the Law of Ukraine "On Joint Stock Companies" and in accordance with the decision of the General Meeting of Shareholders (Minutes No. 2/2010 dated 23.04.2010), Joint Stock Commercial Bank Alliance changed its name to PUBLIC JOINT STOCK COMPANY BANK ALLIANCE, which is the successor to all rights and obligations of Joint Stock Commercial Bank Alliance.

By the decision of the General Shareholders Meeting dated 17.04.2018, the name of the Bank was changed to JOINT STOCK COMPANY BANK ALLIANCE, which is the successor to all rights and obligations of PUBLIC JOINT STOCK COMPANY BANK ALLIANCE.

The Bank was established as a joint stock company. The type of the Bank's joint stock company is a PRIVATE JOINT STOCK COMPANY.

As of December 31, 2022, organizational structure of the Bank included the main office in the city of Kyiv and 33 branches:

- HEAD OFFICE, 04053, Kyiv, Sichovykh Striltsiv Street, 50;
- CENTRAL, 04053, Kyiv, Sichovykh Striltsiv Street, 50;
- KYIVSKE NO. 3, 01010, Kyiv, Knyaziv Ostrozkyh (formerly Moskovska) Street, 32/2;
- ZAPORIZKE, 69032, Zaporizhzhya obl., Zaporizhzhya, Metallurgiv Avenue, 17;
- LVIVSKE, 79000, Lviv obl., Lviv, Stefanyk V. Street, 15, apt. 2.;
- LVIVSKE NO. 1, 79001, Lviv obl., Lviv, I. Franko Street, 66, apt. 2A;
- CHERNIVETSKE, 58002, Chernivtsi obl., Chernivtsi, Central Square, 8;
- KHARKIVSKE, 61002, Kharkiv obl., Kharkiv, Chernyshevskoho Street, 65;
- ODESSKE, 65125, Odesa obl., Odesa, Bazarna Street, 5/1;
- KYIVSKE NO. 1, 03143, Kyiv, Metrolohichna Street, 4, premises 43/4;
- MYKOLAIVSKE, 54017, Mykolaiv obl., Mykolaiv, Central Avenue, 79;
- CHORNOMORSKE, 54017, Odesa obl., Chornomorsk, Myru Avenue, 5P;
- KREMENCHUTSKE, 54017, Poltava obl., Kremenchuk, Gagarin Street, 16A;
- CHERNIHIVSKE, 14000, Chernihiv obl., Chernihiv, Pyatnitskaya Street, 4;
- CHERKASKE, 18007, Cherkasy obl., Cherkasy, Nebesna Sotnia Street, 31;
- KYIVSKE NO. 2, 03150, Kyiv, Velyka Vasylkivska Street, 112;
- DNIPROVSKE, 49000, Dnipropetrovsk obl., Dnipro, Voskresenska Street, 28;
- KYIVSKE NO. 4, 02105, Kyiv, Sobornosti Avenue, 10/1;
- KOROSTENSKKE, 11501, Zhytomyr obl., Korosten, Mykhailo Hrushevskoho Street, 44;
- VINNITSKE, 21021, Vinnytsia obl., Vinnytsia, Keletska Street, 78;
- SUMSKE, 40000, Sumy obl., Sumy, 9th May Lane, 4;
- POLTAVSKE, 36020, Poltava obl., Poltava, Sobornosti Street, 30/12;
- CHORNOMORSKE NO. 1, 68001, Odesa obl., Chornomorsk, Khantadze Street, 1B;
- ODESSKE NO. 1, 65085, Odesa obl., Odesa, Airportivska Street, 22;
- UZHGORODSKE, 88018, Zakarpattia obl., Uzhhorod, Shvabska Street, 71B;
- KROPYVNYTSKE, 25009, Kirovograd obl., Kropyvnytskyi, Soborna Street, 14;
- KYIVSKE NO. 5, 03187, Kyiv, Tadeusz Rylyski Boulevard, 1;
- ZHYTOMYRSKE, 10014, Zhytomyr obl., Zhytomyr, Teatralna Street, 9/5;
- KHMELNYTSKE, 29000, Khmelnytskyi obl., Khmelnytskyi, Shevchenko Street, 11;
- KYIVSKE NO. 6, 02000, Kyiv, Ring road, 1.
- IVANO-FRANKIVSKE, 76018, Ivano-Frankivsk obl., Ivano-Frankivsk, Chornovil Street, 10;
- LUTSKE, 43025, Volyn obl., Lutsk, Volia Avenue, 11;
- TERNOPILSKE, 46001, Ternopil obl., Ternopil, Ruska Street, 19, premises 3;
- RIVNENSKE, 33028, Rivne obl., Rivne, Soborna Street, 15;

In 2022, the Bank opened 4 new separate divisions of the Bank and closed the Kherson branch. In 2023, further expansion of the regional network is planned, in accordance with the business model of the development of JSC "BANK ALLIANCE" in order to implement the Strategy of JSC "BANK ALLIANCE" for 2023-2025, which was approved by the decision of the Council dated 28.12.2022 (minutes No. 62) and The Bank's budget for 2023, which was approved by the Council's decision of December 28, 2022 (protocol No. 62) in terms of expanding distribution channels.

The main principles of organizational structure of the Bank are: hierarchy of the organizational structure; standardization and unification; clear distribution of functions between divisions; optimal number of personnel.

The Bank does not have representative offices in Ukraine and/or on the territory of other countries.

Average number of full-time employees on the payroll, average number of part-time employees and persons working on a part-time basis, number of employees working on a part-time basis (day, week), and payroll. In addition, the facts of payroll fund size changes, its increase or decrease compared to the previous year are indicated. The Bank's human resources programme aimed at ensuring that the level of employees' qualifications meets the Bank's operational needs

Taking into account the needs and development of employees as intellectual capital is one of the most effective strategies for a successful business. Therefore, the Bank's personnel management strategy is based on professionalism, efficiency, motivation and involvement of each employee to achieve the Bank's strategic goals.

The average number of full-time accounting employees (persons) in the Bank in 2022 was 486 people. Freelancers - 5 people. There are 8 concurrent employees and 11 part-time employees.

The remuneration fund of JSC "BANK ALLIANCE" for 2022 amounted to UAH 184 268 825.80. and significantly increased compared to the wage fund for 2021, which amounted to UAH 160 029 748.60. Increase in the level of the wage fund amounts to UAH 24 239 077.20.

The issues of labor organization and payment conditions in the Bank are regulated in accordance with the current labor legislation of Ukraine, the Bank's personnel management policy, the Collective Agreement, the Rules of Internal Labor Procedures, the Regulations on Employee Training, the Regulations on Bonuses and the Establishment of Employee Allowances, the Regulations on the Formation and Development of Personnel reserve, Regulations on adaptation of personnel. They stipulate payments to employees of all levels, changes in salaries, payment of financial assistance, etc.

The Bank respects human rights and does not allow discrimination on political, religious, national, gender or other grounds. Equal opportunities in employment, professional and personal growth are provided to all employees.

Gender composition of the Bank's employees (at the end of the year): women - 348 (67%) / men - 173 (33%).

Age composition of the Bank's employees (at the end of the year):

CATEGORY	NUMBER	SHARE
up to 30 years	71	14%
31-40 years old	150	29%
41-50 years old	206	39%
older than 51	94	18%
TOTAL:	521	100%

The Bank's expenses for external training of employees in 2022 amounted to UAH 120 779.27.

In 2022, 18 external training events took place, in which 15 employees of the Bank from the following divisions took part: Supervisory Board, Chief Accountant, Compliance Department, Department of Intrabank Operations and Tax Accounting, Credit Risk Department, Department of Legal Support of the Office of the Chairman of the Board, Department of Labor with staff, Securities Operations Department, Lutsk branch, Ivano-Frankivsk branch, Legal Department, Department of Correspondent Relations and International Settlements .

During 2022, at the expense of internal reserves, there were:

- updated 16 existing distance courses and 4 distance tests (at the request of the Department of Financial Monitoring, the Department of Microbusiness Development, the Department of Information Technologies, the Risk Control Department, the Compliance Department, the Card Business Department, the Passive and Commission Products Department, the Personnel Department, the Cash Flow Department and control of cash operations, Labor Protection Service)

- 3 new distance courses were developed (at the request of the Department of Financial Monitoring) and 3 distance tests (at the request of the Department of Microbusiness Development and the Office of Money Circulation and Control of Cash Operations)

The total number of distance learning sessions on electronic courses in 2022 is 4 428, percentage of successful completion is 81%, average score is 92.91 out of 100 maximum

The total number of remote sessions for electronic tests in 2022 is 1 807, the percentage of successful completion is 60%.

All employees who were hired by the Bank in 2022 (110 people) during the first 60 days of their work at the Bank were assigned an adaptation package for a new employee, which includes:

- 12 mandatory e-courses with information about the Bank, the basics of working in SED Megapolis, information security, labor protection and fire safety, risk management policy, behavior in emergency situations, corporate ethics, etc.

- 12 additional courses (depending on the position for which a new employee is hired)

- 5 remote tests (depending on the position to which the new employee is accepted) .

The issuer's affiliation to any associations of enterprises, the name and location of the association, a description of the association's activities, the functions and term of the issuer's participation in the relevant association, the issuer's position in the association's structure are indicated

JSC "BANK ALLIANCE" is a member of the Associations "Independent Association of Banks of Ukraine", Association of Ukrainian Banks, European Business Association (EBA), "UkrSWIFT", "Ukrainian Stock Traders" and the Professional Association of Capital and Derivatives Market Participants, Ukrainian Interbank Association of Payment System Members EMA.

BANK ALLIANCE JSC is not a member of other associations, consortia, concerns, corporations and other associations of enterprises.

Association "Independent Association of Banks of Ukraine" is located at 72 Velyka Vasylkivska (formerly Chervonoarmiyska) Street, Kyiv, 03150, Ukraine, office 96, 3rd entrance, floor 3.

IABU is a non-governmental non-entrepreneurial non-profit contractual association of banks of Ukraine.

The mission of the association is to comprehensively contribute to the construction of a stable financial system of Ukraine, to solve the tasks and problems of the banking system in order to increase business profitability and the development of the national economy.

The main goal (aim) of the Association's activity is:

- protection of the rights and legitimate interests of the members of the Association;
- representing the interests of Association members in relations with state bodies, institutions and other persons;
- formation of the position of the Association members on important issues of the functioning of the banking system, their representation and support in relations with third parties;
- promoting the creation of an effective regulatory framework in Ukraine for the effective functioning of the banking system.

The Association of Ukrainian Banks (AUB) is located at 15 E. Sverstyuk Street, Kyiv 02002

Purpose (mission): to promote the development of the national banking system. Accomplishment of this mission is achieved through activities aimed at achieving such systemic goals.

Legislative activity: Participation of AUB in the legislative activity of the Verkhovna Rada of Ukraine on the development of the banking system by organizing professional work on draft laws of Ukraine, amendments to laws, as well as purposeful work with other state bodies on the adoption of laws.

Cooperation with the NBU: Cooperation between the AUB and the National Bank of Ukraine on issues of regulatory assurance of the reliability and stability of the functioning of the system of commercial banks without reducing their economic efficiency.

Increasing public trust in banks: This goal is achieved by forming the principles of bank behavior based on business ethics and strict adherence to the Ukrainian banker's Code of Honor.

Protection of the interests of banks: Protection and representation of the interests of commercial banks in state authorities, in particular: reducing the costs of the system of commercial banks, caused by the pressure and dictates of administrative state bodies, by taking AUB to court, using other opportunities to reveal illegal actions of administrative bodies.

Retraining of bank personnel: Improvement of retraining of bank personnel by transforming the National Center for the Training of Bank Employees (NCTBE) into a basic Center for the Advancement of Qualifications of Bank Employees, coordination of the activities of other educational institutions created with the participation of AUB.

Foreign cooperation: Representing the interests of the national banking system abroad by expanding ties with associations and other banking structures of foreign countries.

The European Business Association (EBA) was founded in 1999 with the support of the European Commission in Ukraine. Since then, the Association has grown into the most influential and most numerous business association in Ukraine.

Uniting more than 1000 companies, the European Business Association is one of the largest business communities operating on the Ukrainian market.

The association actively promotes the development of cooperation between Ukraine and the EU.

The European Business Association and its team are a help in establishing partnership relations with the government, this is a way to establish business relations with the best international and Ukrainian companies. EBA members include leading companies that share the best European business values.

Areas of activity of the association:

- protection of the interests of foreign and domestic investors at the highest state level;
- promoting the cooperation of member companies and establishing close contacts between them;
- assistance to enterprises in the development of the Ukrainian market, including PR opportunities;
- providing member companies with comprehensive information about what is happening in the country and its regulatory field.

EBA's Kyiv office is located at 8 Knyaziv Ostrozkykh St., Building 7, Kyiv, 01029, Ukraine.

The bank has been a member of the EBA since 2018.

Association "UKRAINIAN NATIONAL GROUP OF MEMBERS AND USERS OF SWIFT "UKRSWIFT" is located at 21-A Observatorna St., Kyiv, Ukraine, 04053.

UkrSWIFT is a non-governmental, non-profit association of Ukrainian members and users of the international cooperative SWIFT, which operates in accordance with the Charter and Corporate Rules of SWIFT, uniting legal entities - users of SWIFT in Ukraine, as well as other institutions related to the financial telecommunications sector.

The goal of UkrSWIFT is the highest level of end-to-end information processing.

UkrSWIFT interacts with the Board of Directors of the SWIFT and consolidates the Ukrainian user community on the basis of coordination of their activities, dissemination of international experience in the field of financial information exchange technologies, implementation of end-to-end information processing standards, and solving problems related to international and local financial telecommunications.

The Bank has been a member of the association since 2013.

Association "Ukrainian Stock Traders" is located at 30 Voskresenska St, Dnipro, 49000.

The Association promotes development of an open and equally accessible capital market in Ukraine, ensures the activities of professional capital market participants who are members of the Association. The Bank has been a member since 10 July 2009 (certificate of membership No. 728).

On 21 July 2022, the NSSMC deprived the Association of Ukrainian Stock Traders of the status of a self-regulatory organisation (SRO) and an association of professional stock market participants for both types of professional activities - securities trading and custodial activities.

Professional Association of Capital and Derivatives Market Participants (located at 19, Yevhen Sverstyuk St, Kyiv, Ukraine, office 311) is a professional association in the Ukrainian capital market.

The Association, founded in 1996, represents the interests of all domestic depository institutions and financial instruments traders.

The Bank became a member in April 2020 (membership certificate No. 325 dated 04 April 2020).

Ukrainian interbank association of members of EMA payment systems (located at 58 Kakhovska St., Kyiv, Ukraine) is an association of Ukrainian banks-members of international payment systems.

EMA was established in 1999 as a union of Ukrainian banks-members of the international payment system Europay, but a few years later it became an association of members of both international payment systems - Visa and Mastercard.

EMA works to make the use of non-cash payment instruments and technologies in payments and lending in Ukraine an integral part of the financial culture.

Together with market regulators, the EBA forms the legislative and regulatory framework, as well as the national payments programme, which enables EBA members - banks and companies - to develop a secure infrastructure for issuing and servicing payment instruments and services, increase the profitability of their business, and enable consumers of payment services to use payment instruments and services for settlements in Ukraine and abroad with comfort and pleasure.

The Bank is a member of the following payment systems:

MasterCard

A principal member of MasterCard international payment system (payment organization name –

MasterCard International Incorporated) with a license to issue and acquire payment cards.

Official address: 2000 Purchase Street, Purchase, New York 10577, United States of America (US), representative office in Ukraine: В. Khmelnytskogo 17/52 str., office 404A, 01030, Kyiv, Ukraine (вул. Б. Хмельницького 17/52, оф. 404А, 01030, м. Київ, Україна).

VISA

A principal member of VISA international payment system (payment organization name – Visa International Service Association) with a license to issue and acquire payment cards.

Official address: 900 Metro Center Blvd, Foster City, CA 94404, United States of America (US), representative office in Ukraine: В. Khmelnytskogo 19/21 str., 01030, Kyiv, Ukraine (вул. Б. Хмельницького 19/21, 01030, м. Київ, Україна).

PROSTIR (ПРОСТІР)

Member of the National Payment System "Ukrayinsky Platizhny Prostir" (Український платіжний простір) (payment organization name – National Bank of Ukraine) with a license to issue and acquire payment cards.

UKRKART (УКРКАРТ)

Member of the UKRKART domestic payment system (Name of the payment organization - PRIVATE JOINT STOCK COMPANY "UKRAINIAN NATIONAL PAYMENT CARD") with a license to issue and acquire payment cards.

Registered address: 19 Ordash Street, Bezpechna village, Skvyra district, Kyiv region, 09025, Ukraine.

Union Pay

Principal member of the UnionPay international payment system (Name of the payment organization - UnionPay International) with a license to issue payment cards.

Official address: CHINA, PUDONG NEW DISTRICT, SHANGHAI, BUILDING B POLY PLAZA, NO. 6 DONGFANG ROAD, 200120.

Joint activity the issuer conducts with other organizations, enterprises, institutions, while indicating the amount of contributions, the purpose of contributions (making a profit, other goals) and the financial result obtained for the reporting year for each type of joint activity

The bank did not carry out joint activities with other organizations, enterprises, institutions.

Any reorganization proposals from third parties that took place during the reporting period, the terms and results of those proposals

In 2022, BANK ALLIANCE JSC did not receive any proposals for reorganization from third parties.

Description of the selected accounting policy (methods of calculating depreciation, estimating the value of inventories, accounting and estimating the value of financial investments, etc.)

The Bank's accounting policy is based on accounting rules in accordance with the requirements of the regulations of the National Bank of Ukraine, which in turn take into account the requirements and principles of international financial reporting standards (IFRS). Financial assets and/or financial liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the financial instrument. All regular (ordinary) acquisitions of financial assets are recognized by the Bank on the settlement date. The assets and liabilities of the Bank are estimated and reflected in the accounts with a sufficient degree of caution in order to avoid the possibility of transferring existing financial risks to the following accounting periods. An asset is recognized when there is a probability of receipt of future economic benefits for the Bank and the asset has a cost price or a value that can be reliably calculated. Liabilities are the present indebtedness of the Bank, arising as a result of past events, the repayment of which is expected to release the Bank's resources.

Initial recognition of financial instruments.

Financial assets.

According to International Financial Reporting Standard 9 "Financial Instruments", the Bank's financial assets are classified into one of three categories:

- valued at amortized cost;
- at fair value with recognition of revaluation in other comprehensive income;
- at fair value with revaluation recognition in profit or loss.

At initial recognition, financial assets are measured at fair value plus (if the investment is not classified as a financial asset at fair value, with the revaluation reflected as profit or loss) expenses directly related to the transaction.

If, on the date of initial recognition, the fair value of a financial asset differs from the transaction price (without taking into account transaction costs), the Bank reflects such difference as follows:

- for transactions with shareholders: in own capital;
- for other operations: in profits or losses.

All standard operations on financial assets are reflected on the date of the operation, that is, on the date when the Bank undertakes to purchase the asset.

Classification and valuation of financial assets reflects the business model for managing financial assets and their cash flow characteristics.

A financial asset is subject to assessment at amortized cost if the following conditions are simultaneously met:

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

A financial asset is classified as at fair value through other comprehensive income if it is held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank may make an irrevocable election to present subsequent changes in the fair value of an instrument in other comprehensive income. This choice is made on an investment-by-investment basis and primarily relates to strategic investments that are not investments in subsidiaries.

All other financial assets, i.e. financial assets that do not meet the criteria for classification at amortised cost or at fair value through other comprehensive income, are designated as at fair value through profit or loss. In addition, the Bank has an irrevocable right to designate a financial asset as at fair value through profit or loss upon initial recognition, and to designate it subsequently if that choice eliminates or significantly reduces a measurement or presentation inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases (in a different manner).

Financial obligations.

After initial recognition, the Bank evaluates and reflects in accounting all financial liabilities at amortized cost, with the exception of:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or the continuing involvement principle is applied;
- financial guarantee, aval and surety contracts;
- lending commitments at below market rates;
- contingent consideration recognised by the acquirer in a business merger to which International Financial Reporting Standard 3 Business Mergers applies. Such contingent consideration is subsequently measured at fair value through profit or loss.

Impairment of financial assets.

Estimation of expected credit losses requires the use of accounting estimates and application of judgement in the process of applying the Bank's accounting policies.

The Bank estimates on a forward-looking basis expected credit losses related to active debt instruments carried at amortised cost and fair value through profit or loss, as well as to amounts due under loan commitments, lease receivables and financial guarantees. The Bank establishes an allowance for such losses at each reporting date.

The estimate of expected credit losses reflects an objective and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and appropriate information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Allowance estimation for expected credit losses for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of sophisticated models and significant assumptions about future economic and debt service conditions.

Significant judgements required in applying the accounting requirements for estimating expected credit losses include:

- defining the criteria for a significant increase in credit risk;
- selecting appropriate models and assumptions for estimating expected credit losses;
- determining the number and relative weighting of forecast scenarios for each type of product/market and the corresponding expected credit losses;
- determination of groups of similar financial assets for the purpose of estimating expected credit losses.

For the Bank, credit risk is the risk of financial loss if a counterparty, customer or market partner fails to meet its contractual obligations. Credit risk arises principally from interbank, commercial and consumer loans and commitments to extend credit associated with such lending activities, but may also arise from the provision of collateral in the form of financial guarantees, letters of credit and acceptances.

The valuation of credit exposures for risk management purposes is complex and requires the use of models as exposures change in response to changes in market conditions, expected cash flows and over time.

Assessing the credit risk of an asset portfolio involves further estimates of probability of default, associated loss ratios and correlations of default between counterparties. The Bank measures credit risk using probability of default (PD), exposure at risk of default (EAD) and loss given default (LGD).

IFRS 9 provides for a three-stage impairment model, which is based on changes in the credit quality of the instrument since initial recognition. According to this model, a financial instrument that is not credit-impaired at initial recognition is classified at Stage 1, and its credit risk is subject to further continuous monitoring. If there has been a significant increase in credit risk since initial recognition, the financial instrument is transferred to Stage 2, but it is not yet considered credit-impaired. If the financial instrument is credit-impaired, it moves to Stage 3.

For financial instruments that are in Stage 1, expected credit losses are estimated in the amount of a part of the losses expected throughout the life of the financial instrument that may arise as a result of occurrence of default events during the next 12 months. Expected credit losses for instruments in Stages 2 or 3 are estimated based on credit losses expected from default events over the life of the instrument.

According to IFRS 9, forecast information must be taken into account when calculating expected credit losses. Acquired or created credit-impaired financial assets are financial assets that are credit-impaired at the date of initial recognition. Expected credit losses for such instruments are always measured on a lifetime basis.

Impairment of fixed assets and intangible assets.

Depreciation is a systematic distribution of the cost of fixed and intangible assets, which is amortized over period of their useful use.

Amortization of fixed and intangible assets is carried out during their useful lives, which are established by the Bank at the time of their initial recognition and are reviewed at the end of each reporting year, during the annual inventory, and adjusted if necessary.

Depreciation of fixed assets is calculated using a straightforward method based on the initial cost, liquidation value and useful life, according to which the annual amount of depreciation is determined by dividing the depreciable value by the useful life of the object.

The following periods of useful use of fixed assets have been established:

Buildings, structures

50 years

Vehicles	7 years old
Furniture	5 years
Computer equipment and other equipment	5 years
Tools, devices, inventory	5 years
Other fixed assets	12 years
Leasehold improvements	till the end of the lease term.

Depreciation of low-value non-current material assets is carried out in the amount of 100% of their value in the first month of use of the object.

The useful life of intangible assets ranges from 2 to 10 years.

The main types of services from which the Bank received 10% or more of its income for the reporting year

During 2022, the Bank demonstrates a decrease in development pace, which is connected with the full-scale war of Russia against Ukraine (on February 24, 2022, martial law was declared in Ukraine), which led to a deep crisis and negative consequences for the financial sector. However, working smoothly, maintaining liquidity, continuing lending, the Bank more than successfully resisted the challenges of the war, evidenced by the dynamics of its key performance indicators according to the results of the year, in particular, as of January 1, 2023:

- currency on the balance amounted to UAH 10 119 million (-12%);
- customer loan portfolio - UAH 4 517 million (+16%);
- customer accounts - UAH 5 857 million (-24%);
- equity - UAH 990 million (+8%).

The successful choice of the Bank's business model is confirmed by positive financial results even under martial law - the Bank's net profit amounted to UAH 77 million.

The total income amounted to UAH 2 430 343 000, including:

INCOME SOURCE	AMOUNT, UAH '000.	SHARE, %
Interest income	953 037	39,21%
Commission income	326 229	13,42%
Trading result	1 130 051	46,50%
Income from other operations	21 026	0,87%
TOTAL:	2 430 343	100,00%

Thus, the main part of the Bank's income during the reporting year was **the trading result**. JSC "BANK ALLIANCE" was an active participant in trading of financial instruments on the capital markets of Ukraine. According to the results of the year, the Bank received UAH 1 130 million. of trading income, the main share of which was obtained precisely from transactions with the Central Bank (788 million UAH, or 32% of the total volume of income of the Bank) .

Also, a traditionally high share of the Bank's income is **interest income**, its key component is interest income from lending to corporate clients (83% of the Bank's total interest income). **Lending to corporate clients** is a priority direction of the Bank's development. The corporate business development strategy provides for financing in the segments of small and medium-sized businesses, as well as micro-entrepreneurship, in particular, in the following promising areas of the economy:

- agro-industrial complex;
- foreign economic activity;
- engineering;
- oil and gas industry;
- energy;

- transport and infrastructure;
- processing industry;
- wholesale trade, including energy carriers, mineral fertilizers, etc.;
- medical services;
- service companies that provide services in the above industries.

The bank implements a balanced credit policy and pays considerable attention to formation of a high-quality credit portfolio. Credit operations are carried out with interest rates in accordance with the standard conditions of banking products. The bank does not set interest rates lower than the break-even rate.

In 2022, the growth of the Bank's documentary business portfolio continued. In the segment of guarantee services, the Bank issues tender guarantees, contract performance guarantees, payment guarantees, advance payment refund guarantees, and IATA payment guarantees. The share of commission income from documentary business is the most significant in the structure **of commission income** and is 63% of the total volume of commission income, or 8% of the total volume of the Bank's income.

Alongside its active operations, the Bank is actively expanding the range of cash management and other services for both corporate and individual clients. When developing and introducing new products, the Bank takes into account the needs and activities of individual customers. In general, the Bank's business is not seasonal, but it depends to a certain extent on the seasonality of customers' activities and their geographical location. The aggregate share of fee and commission income from customer service (excluding documentary operations) in 2022 was 5%.

Given the decline in certain performance indicators compared to the previous reporting period and taking into account the objectivity of the above, namely, the Bank's activities under martial law in the country, the overall performance results of 2022 are satisfactory.

Detailed information on the Bank's financial performance indicators for the reporting year is provided in the Annual Financial Statements of JSC BANK ALLIANCE for 2022.

Major acquisitions or disposals of assets in the last five years. If the company is planning any significant investment or acquisition related to its economic activity, it must be described, including the material terms of the acquisition or investment, its cost and the method of financing

Major asset acquisitions that took place in the last five years:

Year 2018:

- Lenovo Flex System server - UAH 2 799 063,68;
- cash-in-transit vehicles (leasing) - UAH 2 507 403,44;
- personal computers, MFP, laptops, routers – UAH 1 356 642,48.

Year 2019:

- personal computers, MFP, laptops, routers – UAH 4 473 843,94;
- cash-in-transit vehicles (leasing) - UAH 2 700 000,00

Year 2020:

- "De Novo" data center - UAH 7 217 139,82;
- personal computers, MFP, laptops, routers - UAH 2 418 843,02.

Year 2021:

- Right to use the VISA trademark and PRINCIPAL MEMBERSHIP license - UAH 3 000 118,00.

Year 2022:

- Hitachi VSP G Unified Platform data storage system, LLC "SI BIS" - UAH 8 165 670,40;
- cash-in-transit vehicles - UAH 2 603 249,80;
- Personal computers, MFP, laptops, routers - UAH 2 308 059,15.

There were no occurrences of main asset alienation that took place in the last five years.

There were no facts of asset alienation in excess of the amount established in the Bank's charter.

Transactions with significant shareholders, supervisory board members or executive body members, affiliated persons, including all transactions concluded during the reporting year between the issuer or its subsidiaries/dependent enterprises, separate divisions, on the one hand, and significant shareholders, supervisory board members or executive body members, on the other. For these transactions, the following information is indicated: date, parties to the transaction, its subject matter, amount, basis for conclusion and pricing methodology used by the issuer to determine the transaction amount and, if necessary, other information

General information on these transactions is disclosed by the Bank in "Related party transactions" note to JSC "BANK ALLIANCE" annual financial statements. Detailed information on dates, parties to the transaction, subject matter, amounts, grounds for conclusion and pricing methods used by the Bank to determine the amounts of the transactions is information related to banking secrecy under Article 60 of the Law of Ukraine "On Banks and Banking Activities", which the parties to the transactions did not consent to disclose.

The Bank's fixed assets, including leased assets and any significant transactions involving them; production capacity and equipment utilization; method of asset maintenance, location of fixed assets. Additionally, it is necessary to describe environmental issues that may affect the use of the company's assets, plans for capital construction, expansion or improvement of fixed assets, the nature and reasons for such plans, expenditures, including those already made, a description of the method of financing, estimated start and end dates of the project and expected growth of production capacity upon completion

Fixed Asset Name (at residual value)	Private Fixed Assets (UAH '000)		Rented Fixed Assets (UAH '000)		Fixed Assets, total (UAH '000)	
	Period Start	Period End	Period Start	Period End	Period Start	Period End
1. Production purpose:	67 897	68 412	342	0	68 239	68 412
Buildings and structures	0	0	0	0	0	0
Machines and equipment	26 805	30 630	0	0	26 805	30 630
Vehicles	2 511	4 104	342	0	2 853	4 104
Land plots	0	0	0	0	0	0
Other	38 581	33 678	0	0	38 581	33 678
2. Non-production purpose:	0	0	0	0	0	0
Buildings and structures	0	0	0	0	0	0
Machines and equipment	0	0	0	0	0	0
Vehicles	0	0	0	0	0	0
Land plots	0	0	0	0	0	0
Investment property	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	67 897	68 412	342	0	68 239	68 412

The service life of fixed assets by core type is:

- machines and equipment – 5 years;
- vehicles – 7 years;
- other fixed assets – 1 to 12 years;
- leasehold improvements – till the end of the lease term.

As of 31.12.2022, the cost of fixed assets amounted to UAH 142 634 000, the amount of accrued depreciation was UAH 74 222 000. The degree of fixed assets depreciation is 52.04%. The cost of fully depreciated fixed assets amounted to UAH 8 171 000.

The Bank leases premises at the following addresses:

1. Kyiv, Sichovykh Striltsiv Street, 50;
2. Zaporizhzhya, Metallurgiv Avenue, 17;
3. Zhytomyr, Teatralna Street, 9/5;
4. Dnipro, Voskresenska Street, 28;
5. Lviv, Stefanyk V. Street, 15, apt 2;
6. Lviv, I. Franko Street, 66, apt 2A;
7. Odesa, Bazarna Street, 5/1;
8. Kharkiv, Chernyshevska Street, 65;
9. Chernivtsi, Central Square, 8;
10. Kyiv, Metrolohichna Street, 44 premises 43/4;
11. Mykolaiv, Central Avenue, 79;
12. Chornomorsk, Myru Avenue, 5P;
13. Korosten, Hrushevskoho Street, 44;
14. Vinnytsia, Keletska Street, 78;
15. Kyiv, Sobornosti Avenue, 10/1;
16. Sumy, May 9th Lane, 4;
17. Kyiv, Velyka Vasylkivska Street, 112;
18. Odesa, Bazarna Street, 5/5;
19. Cherkasy, Nebesna Sotnia Street, 31;
20. Chernihiv, Pyatnytska Street, 4;
21. Poltava, Sobornosti Street, 30/12;
22. Chornomorsk, Hantadze Street, 1B;
23. Odesa, Airportivska street, 22;
24. Uzhhorod, Shabska street, 71B;
25. Kropyvnytskyi, Soborna Street, 14;
26. Kyiv, Kniaziv Ostrogkikh (formerly Moskovska) Street, 32/2;
27. Kyiv, Tadeusz Rylski Boulevard, 1;
28. Khmelnytskyi, Shevchenko Street, 11;
29. Kyiv, Kiltseva doroga, 1;
30. Kyiv, Myru Street, 19;
31. Cherkasy, Heroes of Kholodnyi Yar Street, 72;
32. Sumy, Illinska Street, 13;
33. Kyiv, Dniprovska Naberezhna Street, 16A;
34. Kharkiv, Klochkivska Street, 188;
35. Kyiv, Kiltseva road, 18;
36. Kyiv, Zodchykh Street, 5A;
37. Kyiv oblast, Chubynske village, Kyivska Street, 43;
38. Kyiv, Kiltseva doroga, 1A;
39. Kremenchuk, Pushkin Boulevard, 20;
40. Lutsk, Volia Avenue, 11;
41. Ivano-Frankivsk, Chornovil Street, 10;
42. Ternopil, Ruska Street, 19;
43. Sumy, Kursky Avenue, 30;
44. Rivne, Soborna Street, 15;

Capital construction is not planned.

Problems affecting operation of the issuer; degree of dependence on legal or economic restrictions (significant risk factors affecting activity during the year)

Among key risks that may affect operations, the Bank singles out:

- As a result of the large-scale Russian aggression, the GDP level decreased by one third, which led to a drop in demand in the financial services market and resulted in an increase in the level of provisions for expected credit losses of the Bank;
- Slowdown in economic activity due to security risks and power outages slowed down the lending market. Government programmes play a key role in supporting lending.

- The quarantine and restrictive anti-epidemic measures were extended to prevent the spread of the acute respiratory disease COVID-19 caused by the coronavirus SARS-CoV-2 in Ukraine, and there is a risk of new strains of the disease spreading, which, against the backdrop of hostilities in the country, will exacerbate the negative consequences for the economy and macrofinancial stability;
- physical destruction of some businesses and residential real estate leads to a decrease in demand for labour and an increase in socially vulnerable groups, whose additional support increases budget expenditures in the face of a decline in its revenue side; large-scale destruction of critical infrastructure facilities additionally increases budget expenditures for their rapid restoration;
- the exchange rate is influenced by significant gaps in the balance of payments, uneven inflows of international aid, and existing currency restrictions.

In the conditions of large-scale armed aggression and the introduction of martial law in Ukraine, ensuring the reliable and stable functioning of the country's banking and financial system, as well as the maximum provision of Ukraine's defense needs, uninterrupted functioning of the public finance system and critical infrastructure facilities, is of primary importance.

A high level of risks and uncertainty remains, which complicates the work of the banking system as a whole, however, the level and volume of international financial assistance, the applied regulatory measures support its activity at a sufficient level.

Description of the chosen policy regarding the financing of activities, sufficiency of working capital for current needs, possible ways to improve liquidity according to experts

In the reporting period, the Bank had a sufficient level of equity capital, successfully used diversified sources of funding to create a reliable reserve of liquidity, and ensured timely and full repayment of the resources involved.

As of December 31, 2022, the Bank's equity amounted to UAH 990.1 million, and formed mainly at the expense of the authorized capital (457.3 million hryvnias) and the profit of previous years (394.7 million hryvnias). In 2022, equity grew exclusively due to the profit of the current year (+ UAH 77 million). Already in 2023, in accordance with the Bank's Budget for 2023 and the Bank's Strategy for 2023-2025, which were approved by the decision of the Supervisory Board of December 28, 2022 (Minutes No. 62), it is planned to increase the Authorized Capital by transferring the profit of the previous and current years, as well as due to the conversion of funds in the amount of UAH 160 million, raised on the terms of subordinated debt.

For the purposes of liquidity management, the Bank pays special attention to balance in terms and diversification of the credit and investment portfolio and resource base. Taking into account the high level of uncertainty caused by the military aggression of the Russian Federation, the Bank currently prefers to invest funds in liquid and low-risk assets - in particular, the share of highly liquid funds (cash and checking accounts) as of January 1, 2023 was 10.4% of Net Assets, the share of investments in government securities (bonds and certificates of deposit of the National Bank of Ukraine) is 39.8%, and the share of the client's loan portfolio is only 44.6%. In turn, in the part of the resource base, the Bank carried out work on its diversification (by attracting client funds and funds from international financial organizations) with a simultaneous reduction in prices - in particular, during II 2022, the Bank repaid refinancing loans from the National Bank of Ukraine for a total amount of UAH 2.2 billion.

The consequence of implementing the above-mentioned policy will be the further growth of Regulatory capital (including through its structural changes) and strengthening of the liquid position, which will allow the Bank to continue to maintain its solvency at a sufficient level, to comply with all economic standards and currency position limits established by the National Bank of Ukraine, in particular, capital and liquidity, ensuring the level of asset growth in accordance with the Bank's strategic goals.

The value of concluded but not yet executed contracts at the end of the reporting period (total) and expected profits from execution of these contracts

As of January 1, 2023, the following were recorded in the Bank's accounts:

9210 "Currency and bankable metals to be shipped under spot transactions", 9218 "Currency delivery obligations under currency swap contracts", 9238 "Currency delivery obligations under currency swap contracts accounted for at fair value through profit/loss, the calculations of which are carried out on a net basis

(without delivery of the underlying asset)", under forward contracts - for the total amount of UAH 1 867 697 975.54.

The expected profit under the contracts was not received.

Strategy for further activities for at least one year (regarding expansion of production, reconstruction, improvement of financial condition, description of significant factors that may affect activities in the future)

The management takes increased responsibility for the development of the Bank's Development Strategy for the coming years and monitors its implementation on a regular basis. Thus, the updated version of the Strategy of JSC BANK ALLIANCE for 2023-2025 was approved by the decision of the Board dated 28.12.2022 (Minutes No. 62).

Within the framework of the approved Strategy, JSC BANK ALLIANCE reaffirms its commitment to principles of transparency and responsibility in its daily activities and directs its efforts to achieve high standards of service in the Bank with 100% Ukrainian capital.

Among key goals the management sets for itself:

- To take into account existing opportunities in the banking market.
- To concentrate efforts and resources on priority areas.
- Business development:
 - increase in volume of transactions and number of clients;
 - business capitalization and value growth;
 - growth of return on capital (ROE);
 - creating brand awareness.
- Ensuring a sustainable business model:
 - capital adequacy;
 - caution in conducting credit operations;
 - optimal ratio of interest and commission income.
- Optimization of structure, technologies and processes.
- Improving the quality of customer service.
- Diversification of the resource base (including from international organizations).
- Improvement of corporate governance.

In accordance with the Bank's business model, in order to achieve strategic goals, the Bank identifies the following priority business directions:

- Corporate business, with an emphasis on Micro and SME segments;
- Retail business;
- Investment business.

Servicing corporate clients is a top priority for the Bank in 2023-2025, corporate business will remain key for the Bank and will form the bulk of the loan portfolio and revenues. Micro, small and medium-sized enterprises have been selected as the key customer segment to be targeted by the Bank. The logic of choosing this segment of the Bank is to limit excessive dependence on large customers. A separate segment of customers is represented by international companies and banks, with which the Bank plans to cooperate in a number of projects to finance both individual industries (in particular, agriculture) and the Ukrainian economy as a whole. In its activities, the Bank adheres to the policy of environmental and social responsibility, therefore, among the priority areas of lending is "green" financing - projects on renewable energy sources, energy efficiency, modernisation of buildings and structures, etc.

Retail Banking development strategy is to increase the customer base, improve the quality of customer service and increase business efficiency by introducing an optimal product range, model of retail product sales in branches, prudent credit policy, optimisation of business processes, and improvement of the Bank's technological efficiency. In the group of retail clients, the target PB segment is separately identified, which emphasises the Bank's selective approach to servicing individuals, including through the connection of this segment through top management and business owners with corporate clients, cooperation with which is key for the Bank. The Bank sees mortgage lending as one of the priority areas of lending to individuals.

Investment business includes activities in the interbank market and capital markets. Interbank transactions will be carried out primarily to generate trading income from operations on the interbank foreign exchange market and the international currency market, as well as to manage the Bank's immediate and current liquidity, taking into account risks and cost, to ensure the Bank's solvency and timely fulfilment of its

obligations to customers and counterparties. The strategy for the development of operations with securities and monetary instruments in 2022-2024 is to further develop three areas of the Bank's operations: investing in securities and monetary instruments, trading in financial instruments and providing depository services as a depository institution.

In order to ensure efficient operation, growth and development of the Bank, introduction of bleeding edge technologies and modern banking services, the Bank has the following strategic tasks regarding information systems and banking technologies:

- constant improvement of quality of IT services for internal users and external customers of the Bank due to automation of banking processes;
- constant development and improvement of level of information security of the Bank's information infrastructure, including for countering external and internal cyber threats;
- constant development and improvement of the level of continuity of the Bank's information infrastructure;
- development and improvement of the Bank's information infrastructure;
- implementation of the latest technologies in the Bank's information systems;
- promoting optimal use of the Bank's resources.

Generating the required amount of revenues by business lines will allow the Bank to achieve both financial and non-financial objectives.

Main criteria for measuring success are achievement of planned financial performance indicators, implementation of key projects, compliance with the established levels of risk appetite and full compliance with the requirements of regulators and the Legislation of Ukraine in general.

Social responsibility

Since 2016, JSC "BANK ALLIANCE" has been implementing its own strategy of social and charitable programs, working on creating a positive image and trying to get involved in solving the country's social problems as often as possible. Charity projects for the Bank are not a one-time spontaneous manifestation of charity, but a separate direction of the development strategy and an opportunity to positively influence society.

Providing sponsorship and charitable support, BANK ALLIANCE JSC:

- supports the Armed Forces of Ukraine;
- takes part in initiatives in the field of education and culture, holds children's sports competitions, supports sports teams;
- makes targeted charitable donations;
- helps children with cancer, etc.

As a part of fight against COVID-19, the Bank purchased and donated lung ventilators to hospitals.

The Good Deeds Forum, created by the Golda Meir Institute for Civil Society Development with the support of the Bank, was one of the most important projects of 2022. In 2022, the Forums discussed not only business charity but also social activism. The main goal was to demonstrate through real-life stories that everyone can do good. But there was also a secondary goal: to initiate a dialogue with authorities so that opinion leaders, start-up owners, and SMEs could develop in this area without obstacles and promote social responsibility in society.

In 2022, the Bank implemented a program to assist the Armed Forces of Ukraine.

One of the key aspects of the Bank's activity in time of martial law in Ukraine is strict adherence to the priority of safety of our employees, customers, and shareholders over economic and other considerations. The Bank strictly complies with the requirements of the legislation adopted in this area. All Bank personnel, whose functional duties will allow remote work, have been working remotely.

Description of R&D policy, amount of R&D expenditure for the reporting year

In order to make management decisions on the Bank's strategy in a particular area, enter new markets/market niches, promote new products/services, determine the tariff policy, advertising means and methods of promoting products/services, etc., the Bank conducts marketing research. Marketing research is carried out exclusively within the budget approved by the Supervisory Board, with the involvement of a third-party company in accordance with the Bank's internal regulations. Marketing research can be initiated by both business units and the Marketing Department. In the reporting year, the Bank did not use such services.

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

The internal control system implemented by the management of JSC "BANK ALLIANCE" covers all areas and stages of the Bank's activities and is aimed at preserving assets, effectiveness of banking operations, effectiveness of managing risk, assets and liabilities, ensuring completeness, timeliness and reliability of accounting, compiling and provision of financial, statistical reporting, etc. One of the components of the internal control system is the Internal Audit Service. The service verifies and evaluates the processes that ensure the bank's activities and carry potential risks, determines the effectiveness and adequacy of risk management systems, bank management processes, and the adequacy of these systems/processes to the types and volumes of operations performed, including on preventing the use of the banking system for legalization of criminal proceeds/terrorist financing. Auditors have special powers to perform functional duties in compliance with the principles of independence, objectivity and impartiality, due professional diligence, professional competence and ethics. On the basis of internal regulatory documents and audit procedures in 2022, the Service carried out 8 inspections - Audit of operations with related parties of the Bank, Audit of transactions with the Bank's related parties, Audit of setting parameters when entering into loan agreements and their subsequent monitoring, Audit of documentary transactions, Audit of the information security management system, Audit of the Bank's compliance with the requirements of Resolution No. 18 dated 24.02.2022, Audit of Compliance Risk Management (including conflicts of interest), Audit of the retail lending process, Audit of the Bank's compliance with the requirements of the legislation of Ukraine on prevention and counteraction to legalisation (laundering) of proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction.

The results of audits were reported to the Bank's Council and Management Board. Auditors' recommendations for improving work, improving internal control systems and minimizing risks are implemented in the work of the Bank in accordance with the approved plans. The internal audit service monitors implementation of the provided recommendations.

According to the results of monitoring of the internal control system, it was established that employees who perform functions in the operational processes of the Bank ensure the accuracy and completeness of accounting documentation; adhere to International Financial Reporting Standards; prepare statistical reports in a timely manner; prevent errors and fraud; ensure safety of property; control the process of compliance with regulatory acts, as well as the implementation of internal orders and orders regarding accounting; ensure completeness and timeliness of tax payment. Active accounting control is preliminary (before the transaction is reflected in the accounting), current (in the process of accounting for this transaction) and subsequent (after the transaction).

Employees of the Bank ensure the implementation of internal control procedures in the Bank within limits of their functional duties.

In order to ensure improvement of the internal control system, the Bank continuously improves the qualification level of the Bank's personnel (including the organization and control of the training process). According to the results of the monitoring of the Bank's activities and internal control for 2022, minor violations were detected that did not lead to risks and were eliminated after they were detected. The current internal control system of the Bank shows that the implemented internal control mechanisms are sufficient and effectively used. The Bank's internal control system needs constant further improvement and development.

Information on the used recommendations of bodies that carry out state regulation of financial services markets, regarding the audit opinion

Recommendations of the bodies that carry out state regulation of financial services markets regarding the audit opinion based on the results of the audit of the annual financial statements of JSC "BANK ALLIANCE" for the year ended 31.12.2022 were not provided.

Information about the Bank's external auditor

In 2022, JSC "BANK ALLIANCE" appointed LLC "Baker Tilly Ukraine", USREOU code 30373906, registered at 3 Hrekova str., apt. 9, Kyiv, 04112 Ukraine, as its external auditor.

Total audit experience:

LLC "BAKER TILLY UKRAINE" is an independent Ukrainian company that provides services in the field of auditing, business consulting, independent evaluation, accounting and management accounting; one of the leaders on the national market, an independent member of the Baker Tilly International network. The company is one of the largest auditing companies in Ukraine. Total experience from the moment of inclusion in the register of audit firms and auditors is more than 19 years (APU Certificate No. 98 dated January 26, 2001).

Number of years of providing audit services to such a financial institution:

The LLC "BAKER TILLY UKRAINE" provided JSC "BANK ALLIANCE" services of audit of annual financial statements for seven years: for 2016, for 2017, for 2018, for 2019, for 2020, for 2021 and 2022.

The list of other audit services provided to such a financial institution during the year:

In 2022, the Bank employed LLC "KRESTON UKRAINE" to inspect activities of the Internal Audit Service of JSC "BANK ALLIANCE" over the past 5 years.

Cases of conflicts of interest and/or internal auditor combining their functions:

During 2022, there were no cases of conflicts of interest and/or internal auditor combining their functions.

Auditor rotation in the financial institution over the past five years:

Annual report audit for 2018, 2019, 2020, 2021 and 2022 was carried out by LLC "Baker Tilly Ukraine" (USREOU code 30373906).

Penalties applied to the auditor by the Audit Chamber of Ukraine during the year, and the facts of the financial institution's submission of unreliable reporting, confirmed by the auditor's opinion, discovered by the bodies that carry out state regulation of financial services markets:

There is no information on penalties applied to LIMITED LIABILITY COMPANY "BAKER TILLY UKRAINE" by the Audit Chamber of Ukraine during 2022. There are no facts of submission of unreliable reporting by JSC "BANK ALLIANCE" confirmed by the auditor's opinion, discovered by the bodies that carry out state regulation of financial services markets.

Protection of the rights of financial services consumers by the Bank

To organise an appropriate system of protection of the rights of financial services consumers, the Bank has established a procedure for the actions of responsible employees in interaction with customers and responsible services of the Bank in the process of receiving complaints/applications of the Bank's customers, their consideration and verification and providing a response. The Bank takes all appropriate measures to prevent any incidents related to violation of the rights of financial services consumers that may lead to violation of the requirements of the laws of Ukraine and regulatory acts of regulators, internal documents of the Bank, risk of loss of reputation, etc.

On 25.08.2022, the Compliance Department conducted an audit of the organisation of consumer protection control: compliance of JSC BANK ALLIANCE with the requirements for information in advertising and on the Bank's website, compliance with the Law of Ukraine dated 12.05.1991 No. 1024-XII "On Consumer Protection", the Law of Ukraine dated 15.11. 2016 No. 1734-VIII "On Consumer Lending", the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets", compliance with the Bank's internal documents on consumer protection when opening accounts with the Bank, placing free funds on a deposit account with the Bank, lending to individuals, etc.

For the purpose of the Bank's effective work with individual clients, the Bank has introduced the Public Contract for Complex Banking Services for Individuals by JSC "BANK ALLIANCE" (hereinafter - the Contract), which is a public proposal (offer). The contract is constantly updated in accordance with changes in legislative and regulatory acts of the National Bank of Ukraine.

Information for consumers of financial services, used during implementation of the Bank's public offer, includes an offer to clients regarding financial services. Tariffs for them, essential characteristics of services and terms of their provision are posted on separate pages of the Bank's website, namely:

- opening and maintenance of current accounts (in national and foreign currencies) via the link <https://bankalliance.ua/sks>;
- opening and maintenance of current accounts, operations on which can be carried out using electronic means of payment (in national and/or foreign currencies) via the link <https://bankalliance.ua/cards> ;
- opening and maintenance of deposit accounts (in national and foreign currencies) at the link <https://bankalliance.ua/deposits> ;
- providing credit via the link <https://bankalliance.ua/credit> ;
- renting an individual safe for storing valuables at the Bank via the link <https://bankalliance.ua/safes> ;
- conducting operations on the terms of margin trading for resident individuals at the link <https://forex.bankalliance.ua/> ;
- transactions with bank metals via the link <https://bankalliance.ua/metals>
- other services:
 - transactions with securities via the link <https://bankalliance.ua/securities>
 - depository activity at the link https://bankalliance.ua/for_business/depository
 - money transfers via the link <https://bankalliance.ua/transfers>
 - instant transfers from card to card via the link <https://bankalliance.ua/card2card> ;
 - mobile phone top-up via the link <https://bankalliance.ua/card2card> ;
 - payment of utility bills via the link <https://bankalliance.ua/utility>

The client's signing of a public offer implies their consent to the specified conditions of the provision of banking services and is confirmation that they are familiar with its conditions and give their consent to the specified conditions of the provision of banking services and undertakes to comply with them.

The procedure for personal data protection is posted by the Bank on the Bank's website at the link https://bankalliance.ua/about_bank/consumer_information .

The bank is a member of the Individual Deposit Guarantee Fund. Detailed information on the deposit guarantee system of individuals is posted by the Bank at the link <https://bankalliance.ua/fgvfo> .

An extract from the Procedure for dealing with appeals/complaints/proposals of clients of JSC "BANK ALLIANCE" is available at the link https://bankalliance.ua/about_bank/consumer_information .

During the inspection, it was established that prior to the conclusion of credit agreements on consumer credit, the responsible employees of the Bank provided the potential borrower (consumer) with the information necessary to compare various offers of the Bank in order to make a reasoned decision to conclude the agreement, including taking into account the choice of a certain type of loan.

The Bank informs clients regarding distribution of advertising, taking into account the requirements of the legislation on advertising and on consumer lending.

During inspection, it was established that the Bank, when lending to individuals, observed the rights of consumers, which are provided for by the Law of Ukraine dated 12.05.1991 No. 1023-XII "On the Protection of Consumer Rights", Law of Ukraine dated 15.11.2016 No. 1734-VIII "On Consumer lending".

The Bank complied with the requirements of the Law of Ukraine dated 15.11.2016 No. 1734-VIII "On Consumer Lending" (Section IV as amended by the Law of Ukraine No. 533-IX dated 17.03.2020) during the quarantine period related to the coronavirus disease (COVID-19) in terms of exemption of the consumer from liability for late fulfilment of obligations under the loan agreement to make payments, exemption from the obligation to pay a penalty (fine, penalty) to the Bank. The Bank did not increase the interest rates for the use of loans by individuals during the quarantine period.

Organization of internal control over compliance with the Law of Ukraine dated 12.05.1991 No. 1023-XII "On the Protection of Consumer Rights", Law of Ukraine No. 1734-VIII dated 15.11.2016 "On Consumer Lending" when lending to individuals by JSC "BANK ALLIANCE", Law of Ukraine "On financial services and state regulation of financial services markets", compliance with the Bank's internal documents regarding the protection of consumer rights is carried out at the Bank at the appropriate level. Internal control procedures are sufficient.

The Bank has not received any reports of violations of the legislation on the protection of the rights of consumers of financial services.

The Bank continuously monitors the receipt of customer complaints/appeals to analyze their causes and take the necessary measures to minimize them in accordance with internal bank procedures.

The status of the Bank's review of complaints regarding provision of financial services in 2022 (nature, number of complaints received and number of complaints satisfied): 41 (generally related to the quality of service provided by the Bank), of which, according to the results of the analysis

- 36 - not substantiated;
 - 5 - substantiated;
- any lawsuits filed against the Bank regarding the provision of financial services and the results of their review: none.

As per the Bank's internal regulations, the person authorised to review complaints is a designated employee, who is appointed by the Chairman of the Management Board or, in case of a complaint received by the Contact Centre, by the Deputy Chairman of the Management Board (according to the distribution of powers). Upon receipt of the complaint, the employee reviews it and, based on the results of the review and verification, prepares a response to the Customer's complaint and signs it with the Chairman of the Management Board and Deputy Chairmen of the Management Board. There may be several responsible employees. The one who is designated first in the resolution of the Chairman of the Management Board/Deputy Chairman of the Management Board or designated by them explicitly is considered to be the main one.

Governmental enforcement actions taken against the Bank during the year, including against members of its Supervisory Board and Executive Body

There is no information regarding enforcement actions taken by public authorities (other than those specified in Section 5) against the Bank, including members of its Supervisory Board and Executive Body and officers of the Bank, in 2022.

Transactions with related parties including those within the same industrial and financial group or other association performed during the year

According to Article 52 of the Law of Ukraine "On Banks and Banking Activities", transactions with related parties may not offer more favorable terms than transactions with other parties.

Related party transactions balances as of December 31, 2022

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Upper management personnel	Other related parties
Client funds (contract interest rate 0-15%)	32 093	11 072	560
Customer loan and debt (contract interest rate 18-21%)	38 813	0	1 734
Loan losses provision as of December 31	(10 849)	0	(1 374)

Related party transactions income and expenses for 2022 (cumulative total since the year's beginning)

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Upper management personnel	Other related parties
Interest income	2 087	-	518
Interest expenses	(1 524)	(317)	(28)
Commission income	102	-	-
Administrative and other operating expenses	-	(41 417)	(2 922)

Total amount of loans granted to related parties and repaid by related parties for 2022 (cumulative total since the beginning of the year)

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Upper management personnel	Other related parties
Amount of loans granted to related parties during the period	2 570	1 145	507
Amount of loans repaid by related parties during the period	2 759	1 206	1 561

Payments to upper management personnel (UAH '000)

Line	<i>In UAH '000</i>	31.12.2022		31.12.2021	
		costs	accrued liability	costs	accrued liability
1	Current employee payments	(33,632)	(5,199)	(29,089)	(4,689)
2	Payments upon dismissal	-	-	-	-

6.12. Information on the execution of significant juristic actions or related-party transactions, or on prior consent to enter into significant transactions and information on persons interested in entering into related-party transactions and circumstances that create an interest

On March 3, 2022, the General Bank Shareholders Meeting adopted resolution (minutes from March 3, 2022) on granting consent to take significant juristic actions: to set the limit of obligations under the General Loan Agreement to UAH 7 000 000 000.00 (seven billion hryvnias 00 kopecks), and for pledged assets pool to total UAH 17 000 000 000.00 (seventeen billion hryvnias 00 kopecks), which is more than 50% of the value of JSC "BANK ALLIANCE" assets according to the latest annual financial statements. This decision applies to both separate application amounts and the total amount of juristic actions that may be concluded with the National Bank of Ukraine on refinancing transactions (including overnight) under the relevant Master Loan Agreement and not repaid by JSC "BANK ALLIANCE".

During the reporting period, the Bank did not enter into any related-party transactions, therefore, no information on persons interested in entering into related-party transactions is provided.

In the reporting year 2022, the Bank entered into the following significant transactions and the Bank's Board made the following decisions on granting consent to enter into significant transactions and on further approval of significant transactions:

	Decision date	Authorized body that made the decision	Market value of property or services that are the subject of juristic action (UAH '000)	Issuer's assets value according to the latest annual financial statement (UAH '000)	Property or services that are the subject of juristic action market value to issuer's assets value according to the latest annual financial statements ratio (in %)	Significant juristic action subject	Juristic action date
1	2	3	4	5	6	7	8
1	26.01.2022	JSC "BANK ALLIANCE" Supervisory Board	1 470 000	7 352 039	19,99	National Bank of Ukraine deposit certificates purchase by the Bank; the subject value is UAH 1 470 000 thousand, maturity of deposit certificates - until 05.01.2022, interest rate - 8.0% per annum.	04.01.2022
2	26.01.2022	JSC "BANK ALLIANCE" Supervisory Board	1 700 000	7 352 039	23,12	National Bank of Ukraine deposit certificates purchase by the Bank; the subject value is UAH 1 700 000 thousand, maturity of deposit	05.01.2022

						certificates - until 06.01.2022, interest rate - 8.0% per annum.	
3	26.01.2022	JSC "BANK ALLIANCE" Supervisory Board	1 500 000	7 352 039	20,4	National Bank of Ukraine deposit certificates purchase by the Bank; the subject value is UAH 1 500 000 thousand, maturity of deposit certificates - until 10.01.2022, interest rate - 8.0% per annum.	06.01.2022
4	28.06.2022	JSC "BANK ALLIANCE" Supervisory Board	992 000	7 352 039	13,49	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 992 000 000,00 (nine hundred and ninety-two million hryvnias 00 kopecks.) with maturity of 17.06.2022, secured by a pool of assets, including Ukrainian government bonds. The interest rate on the refinancing loan is 11.00% and is subject to adjustment to the extent of changes in the NBU bank rate in case the NBU bank rate changes.	20.05.2022
5	28.06.2022	JSC "BANK ALLIANCE" Supervisory Board	832 000	7 352 039	11,32	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 832 000 000,00 (eight hundred and thirty-two million hryvnias 00 kopecks.) with maturity of 10.06.2022, secured by a pool of assets, including Ukrainian government bonds. The interest rate on the refinancing loan is 27.00% and is subject to adjustment to the extent of changes in the NBU bank rate in case the NBU bank rate changes.	03.06.2022
6	28.06.2022	JSC "BANK ALLIANCE" Supervisory Board	832 000	7 352 039	11,32	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 832 000 000,00 (eight hundred and thirty-two million hryvnias 00 kopecks.) with maturity of 17.06.2022, secured by a pool of assets, including Ukrainian government bonds. The interest rate on the refinancing loan is 27.00% and is subject to adjustment to the extent of changes in the NBU bank rate in case the NBU bank rate changes.	10.06.2022
7	28.06.2022	JSC "BANK ALLIANCE" Supervisory Board	1 801 000	7 352 039	24,5	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 801 000 000,00 (one billion eight hundred and one million hryvnias 00	17.06.2022

						kopecs.) with maturity of 24.06.2022, secured by a pool of assets, including Ukrainian government bonds. The interest rate on the refinancing loan is 27.00% and is subject to adjustment to the extent of changes in the NBU bank rate in case the NBU bank rate changes.	
8	28.06.2022	JSC "BANK ALLIANCE" Supervisory Board	1 941 000	7 352 039	26,4	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 941 000 000,00 (one billion nine hundred and forty-one million hryvnias 00 kopecks.) with maturity of 01.07.2022, secured by a pool of assets, including Ukrainian government bonds. The interest rate on the refinancing loan is 27.00% and is subject to adjustment to the extent of changes in the NBU bank rate in case the NBU bank rate changes.	24.06.2022
9	10.05.2022	JSC "BANK ALLIANCE" Supervisory Board	900 000	7 352 039	12,24	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 900 000 000,00 (nine hundred million hryvnias 00 kopecks.) with maturity of 20.05.2022, secured by a pool of assets, including Ukrainian government bonds. The interest rate on the refinancing loan is 11.00% and is subject to adjustment to the extent of changes in the NBU bank rate in case the NBU bank rate changes.	22.04.2022
10	10.05.2022	JSC "BANK ALLIANCE" Supervisory Board	923 000	7 352 039	12,55	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 923 000 000,00 (nine hundred and twenty-three million hryvnias 00 kopecks.) with maturity of 03.06.2022, secured by a pool of assets, including Ukrainian government bonds. The interest rate on the refinancing loan is 11.00% and is subject to adjustment to the extent of changes in the NBU bank rate in case the NBU bank rate changes.	06.05.2022
11	25.07.2022	JSC "BANK ALLIANCE" Supervisory Board	2 151 000	7 352 039	29,26	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 2 151 000 000,00 (two billion one hundred and fifty-one million hryvnias 00 kopecks.) with maturity	22.07.2022

						of 29.07.2022. The interest rate on the refinancing loan is 27.00%.	
12	25.07.2022	JSC "BANK ALLIANCE" Supervisory Board	2 151 000	7 352 039	29,26	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 2 151 000 000,00 (two billion one hundred and fifty-one million hryvnias 00 kopecks.) with maturity of 22.07.2022. The interest rate on the refinancing loan is 27.00%.	15.07.2022
13	25.07.2022	JSC "BANK ALLIANCE" Supervisory Board	2 151 000	7 352 039	29,26	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 2 151 000 000,00 (two billion one hundred and fifty-one million hryvnias 00 kopecks.) with maturity of 15.07.2022. The interest rate on the refinancing loan is 27.00%.	08.07.2022
14	25.07.2022	JSC "BANK ALLIANCE" Supervisory Board	2 191 000	7 352 039	29,8	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 2 191 000 000,00 (two billion one hundred and ninety-one million hryvnias 00 kopecks.) with maturity of 08.07.2022. The interest rate on the refinancing loan is 27.00%.	01.07.2022
15	13.09.2022	JSC "BANK ALLIANCE" Supervisory Board	1 923 000	11 483 252	16,75	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 923 000 000 (one billion nine hundred and twenty-three million hryvnias 00 kopecks.) with maturity of 16.09.2022. The interest rate on the refinancing loan is 27.00%.	09.09.2022
16	13.09.2022	JSC "BANK ALLIANCE" Supervisory Board	1 923 000	11 483 252	16,75	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 923 000 000 (one billion nine hundred and twenty-three million hryvnias 00 kopecks.) with maturity of 09.09.2022. The interest rate on the refinancing loan is 27.00%.	02.09.2022
17	13.09.2022	JSC "BANK ALLIANCE" Supervisory Board	1 946 000	11 483 252	16,95	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 946 000 000 (one billion nine hundred and forty-six million hryvnias 00 kopecks.) with maturity of 02.09.2022. The interest rate on the refinancing loan is 27.00%.	26.08.2022
18	13.09.2022	JSC "BANK ALLIANCE" Supervisory Board	1 946 000	7 352 039	26,47	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 946 000 000 (one billion nine hundred and forty-six million	19.08.2022

						hryvnias 00 kopecks.) with maturity of 26.08.2022. The interest rate on the refinancing loan is 27.00%.	
19	13.09.2022	JSC "BANK ALLIANCE" Supervisory Board	1 946 000	7 352 039	26,47	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 946 000 000 (one billion nine hundred and forty-six million hryvnias 00 kopecks.) with maturity of 19.08.2022. The interest rate on the refinancing loan is 27.00%.	12.08.2022
20	13.09.2022	JSC "BANK ALLIANCE" Supervisory Board	1 946 000	7 352 039	26,47	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 946 000 000 (one billion nine hundred and forty-six million hryvnias 00 kopecks.) with maturity of 12.08.2022. The interest rate on the refinancing loan is 27.00%.	05.08.2022
21	13.09.2022	JSC "BANK ALLIANCE" Supervisory Board	1 946 000	7 352 039	26,47	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 946 000 000 (one billion nine hundred and forty-six million hryvnias 00 kopecks.) with maturity of 05.08.2022. The interest rate on the refinancing loan is 27.00%.	29.07.2022
22	10.10.2022	JSC "BANK ALLIANCE" Supervisory Board	1 923 000	11 483 252	16,75	Receiving by the Bank a refinancing loan from the National Bank of Ukraine for the amount of UAH 1 923 000 000 (one billion nine hundred and twenty-three million hryvnias 00 kopecks.) with maturity of 08.09.2023. The interest rate on the refinancing loan is 27.00%.	16.09.2022

Approved for release and signed

17.03.2023

Chairman of the Board of
JSC "BANK ALLIANCE"



Julia Frolova

**JOINT STOCK COMPANY
"BANK ALLIANCE"**

**Annual financial statements
for 2022**

CONTENTS

Independent Auditor's Report (i) – (viii)	
Statement of financial position (Balance sheet)	3
Statement of profit or loss and other comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Note 1. Information about the bank	8
Note 2. Economic environment in which the bank operates	11
Note 3. Basics of submitting financial statements	16
Note 4. Principles of accounting policy	20
Note 5: New and revised standards that have not entered into force	63
Note 6. Cash and cash equivalents	63
Note 7. Loans and debts of banks	64
Note 8. Loans and receivables from customers	64
Note 9. Investments in financial instruments	68
Note 10. Derivative financial assets	70
Note 11. Fixed and intangible assets	71
Note 12. Investment real estate	73
Note 13. Right-of-use assets	74
Note 14. Non-current assets held for sale and disposal group assets	74
Note 15. Other assets	76
Note 16. Due to banks	78
Note 17. Customer funds	78
Note 18. Derivative financial obligations	79
Note 19. Reserves for obligations	79
Note 20. Lease obligations	80
Note 21. Subordinated debt	81
Note 22. Other funds raised	81
Note 23 Other obligations	82
Note 24. Authorized capital and reserve funds of the bank	83
Note 25. Analysis of assets and liabilities by their maturity	84
Note 26. Interest income and expenses	85
Note 27. Commission income and expenses	85
Note 28. Other operating income	86
Note 29 Administrative and other operating expenses	86
Note 30. Result from transactions with financial instruments accounted for at fair value through profit or loss	87
Note 31. Income tax expenses	87
Note 32. Profit/(loss) per ordinary share	89
Note 33. Operating segments	89
Note 34. Financial risk management	93
Note 35. Capital management	101
Note 36. Potential liabilities of the bank	102
Note 37. Change in liabilities related to financial activity	103
Note 38. Derivative financial instruments	104
Note 39. Fair value of assets and liabilities	104
Note 40. Transactions with related parties	106
Note 41. Events after the balance sheet date	108

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Joint Stock Company BANK ALLIANCE

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of JOINT STOCK COMPANY BANK ALLIANCE ("the Bank") that include:

- Statement of Financial Position (Balance Sheet) as at 31 December 2022;
- Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results) for the year ended 31 December 2022;
- Statement of Changes in Equity (Statement of Equity) for the year ended 31 December 2022;
- Statement of Cash Flows for the year ended 31 December 2022 (direct method);
- Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and comply with the financial reporting requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" № 996-XIV on the preparation of financial statements.

Basis for Qualified Opinion

As disclosed in Note 9 to the financial statements, the Bank reclassified financial assets, namely Ukrainian government bonds, from the category at fair value through profit or loss to the category at amortized cost due to a change in its business model for managing financial assets. In our opinion, the judgements used by the Bank in determining the fair value of financial assets at the date of reclassification, which was subsequently adopted as the new gross carrying amount of these assets, were not consistent with current market conditions at the measurement date, which resulted in overstatement of "Investments in financial instruments" as at 31 December 2022 by UAH 95 523 thousand, as well as profit before tax and net profit for the year ended 31 December 2021 by UAH 95 523 thousand and UAH 73 264 thousand, respectively.

We conducted our audit in accordance with the International Standards on Auditing ("ISA"). Our responsibility in accordance with these standards is set out in the *Auditor's Responsibility for the Audit of Financial Statements* 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 financial statements in Ukraine, and we have met other ethical obligations 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 to the financial statements, which deals in particular with the escalation of Russian aggression and invasion by the Russian Federation. At present, it is impossible to predict the further negative development of these events and their negative impact on the financial position and results of the Bank's activities. As noted in Note 3, these events or conditions, together with the other issues, indicate that there is significant uncertainty 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 that include the most significant assessed risks of material misstatement, as well as the assessed risks of material misstatement due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the issue described in the section "Significant uncertainty related to going concern" we have identified that the matters below are key audit matters that should be presented in our report.

Key audit matters

How our audit considered the key audit matters

Expected credit losses on loans and receivables from customers – UAH 947 915 thousand.

Refer to Note 8

We have focused our attention on this matter as a key audit matter due to the materiality of the balances on items "Loans and receivables from customers", "Loans and debts of banks" and the subjective nature of judgements used in calculating the impairment.

Provision for impairment losses reflect the management's estimate of expected losses based on the portfolios of loans and receivables from customers at the reporting date.

The measurement of expected credit losses of a financial instrument is carried out in a way that reflects: an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, time value of money and all reasonable and supportable information about past events, current conditions and forecasts of future conditions by reference to all reasonable and supportable information, including that which is forward-looking.

Identifying whether there has been a significant increase in credit risk, impairment and determining the recoverable amount involves certain assumptions and analysis of different factors, including the borrower's financial position, expected future cash flows, observable market prices, fair value of collateral.

The use of different models and assumptions can lead to different outcomes in provisioning for impairment losses on loans and receivables from customers.

Our procedures included, among others, the following:

- Familiarising with the internal controls system implemented by the management personnel with a focus on the calculation of impairment provisions for loans and receivables from customers both on an individual and collective basis.
- We also independently evaluated the appropriateness of management's judgements regarding the calculation methodology and inputs about past events, current conditions and forward-looking information to calculate the probability of default, as well as the recoverable amounts and collateral value.
- We have conducted a selective test of assumptions underlying the calculation of impairment and its quantification, including the analysis of the borrowers' financial position, forecasts about future cash flows and collateral measurement. For loan impairment provisions that showed no individual indications of impairment, we tested the models and inputs used in those models, as well as their mathematical accuracy.

Other information

Management is responsible for the other information. Other information comprises the information included the Management Report for 2022, which includes Report on corporate governance as a separate section (but does not constitute the financial statements and our auditor's report thereon), which we obtained before the date of this auditor's report, and other information that was included to the annual information of the issuer of securities for 2022,

which also includes Report on corporate governance and which is likely to be provided to us after the date of this audit report.

Our opinion on the financial statements does not cover the other information and we do not provide any form of assurance conclusion in respect of this other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed in respect of the other information contained in the Management report for 2022 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described below, we have concluded that there is a material misstatement of other information.

We have concluded that the information provided in the Management Report is materially misstated for the same reasons as described above in the Basis for Qualified Opinion section of our report.

When we read the annual information of the issuer of securities for 2022 year, if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance.

Responsibility of management and those charged with governance for financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 International Standards on Auditing (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 this financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we:

- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that would be 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 neglect of internal controls;
- 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;

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal Requirements

Additional information required by Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities"

In accordance with Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities", we present in our independent auditor's report the following information required in addition to the International Standards on Auditing:

Appointment and audit duration

We were first appointed as Bank's auditors to provide statutory audit services for the financial statements for the year ended 31 December 2015 under Agreement #230-1/16 dated 4 October 2016. Our appointment was extended by the decision of the Supervisory Board of the Bank dated 26 October 2022 (minutes #53) to conduct a statutory audit of the Bank's financial statements for the year ended 31 December 2022. The period of total uninterrupted statutory audit of the Bank's financial statements, including reappointments, is 7 years.

Non-audit services and auditor independence

We confirm that, to the best of our knowledge and belief, we have not provided any illegal non-audit services to the Bank or to any of its controlled entities in accordance with part 4 Article 6 of the Law of Ukraine "On the Audit of Financial Statements and Audit Activities". We, including our key audit partner, were independent in relation to the Bank as part of the audit. In addition, we have not provided services to the Bank or to any of its controlled entities other than statutory audit services that were not disclosed in the financial statements or in the Management Report.

Consistency with the additional report for the Supervisory Board

We confirm that our audit opinion on the financial statements set out in this report is consistent with the additional report to the Bank's Supervisory Board from 12 May, 2023.

Explanation of the extent to which irregularities, including fraud, were considered reasonably practicable to detect

The extent to which our procedures are able to detect irregularities, including those related to fraud, depends on the nature of the fraud and the complexity of detecting material misstatements in the financial statements as a result, the effectiveness of the Bank's control measures, and the nature, timing and extent of further audit procedures. We develop and perform audit procedures in accordance with our responsibilities set forth above in the section "Auditor's Responsibility for the Audit of Financial Statements" in response to assessed risks of material misstatement due to fraud and to identify non-compliance with laws and regulations that may have a material impact on the financial statements. However, the primary responsibility for preventing and detecting fraud and compliance with laws and regulations lies with those charged with governance and the Bank's management.

We communicated relevant identified laws and regulations, potential fraud risks to all members of the audit engagement team and remained alert throughout the audit to any signs of fraud or non-compliance with laws and regulations.

Report on the requirements of the National Bank of Ukraine

Reporting in accordance with the requirements of paragraph 11 of Section IV "Instructions on the procedure for preparation and disclosure of financial statements of banks of Ukraine", approved by the Board of the National Bank of Ukraine №373 of October 24, 2011 (as amended)

In accordance with the requirements of Section IV of paragraph 11 "Instructions on the preparation and disclosure of financial statements of banks of Ukraine", approved by the Board of the National Bank of Ukraine №373 dated 24 October 2011 (as amended) ("Instruction №373"), based on the results of work performed during the audit and taking into account the knowledge formed in the audit process and understanding of the Bank's activities and conditions of its work, we report the following:

- The Management report of the Bank for 2022, in all material respects, is prepared in accordance with the requirements of Section IV of Instruction №373, and the information presented there is consistent with the financial statements for the reporting period;

- We are required to report if we determine that the Management Report is materially misstated. As described below, we have concluded that the Management Report is materially misstated.

We have concluded that the information provided in the Management Report is materially misstated for the same reasons as described above in the Basis for Qualified Opinion section of our report.

Reporting in accordance with paragraph 27 of Section III "Regulations on the procedure for submitting to the National Bank of Ukraine an audit report on the results of the annual audit of financial statements of a bank, banking group and auditing the financial statements of a member of a banking group", approved by the Board of the National Bank №90 of August 02, 2018.

In accordance with the requirements of the "Regulations on the procedure for submitting by the bank to the National Bank of Ukraine audit report on the results of the annual audit of financial statements of the bank, banking group and audit of financial statements of a member of the banking group", approved by the Board of the National Bank of Ukraine from 02.08.2018 №90 ("№90 Regulations"), the audit report should also contain information (assessment) regarding:

1) the compliance (fair presentation) of information about the allocation of the bank's assets and liabilities by maturities in a file with figures from the statistical report A7X "Information about the structure of assets and liabilities by periods", which the bank prepares and submits to the National Bank of Ukraine, as at 1 January in the year after the reporting year.

2) the bank's compliance with regulations imposed by the National Bank of Ukraine with regard to:

- internal controls;
- internal audit;
- identification of the credit risk exposure for asset-side banking transactions;
- recognition of related parties to the bank and descriptions of transactions with them;

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- adequacy of the Bank's capital that should be determined by reference to the quality of the bank's assets;
- accounting.

The purpose of the audit was to express an opinion that the Bank's annual financial statements for 2022 present fairly, in all material aspects, the Bank's financial statements in accordance with the International Financial Reporting Standards.

Information presented in this report is the result of our procedures conducted as part of the audit of the Bank's financial statements for 2022. The specified information was obtained on the basis of selective testing to the extent necessary for planning and conducting audit procedures in accordance with the International Standards on Auditing.

This report is intended for the information of and use by the Bank's management and the National Bank of Ukraine and cannot be used by any other party. When reviewing this report, the limited (as mentioned above) nature of the procedures for assessing matters related to the Bank's activities, organisation of its accounting system and internal controls should be also taken into account.

In addition, it should be considered that the assessment criteria on those matters related to the Bank's operations, organisation of its accounting system and internal controls can be different from the criteria applied by the National Bank of Ukraine.

According to the results of our audit procedures within the audit of annual financial statements, we present information (assessment) on the matters above:

As a result of audit procedures within the annual audit, we have not identified any material discrepancy in the Bank's presentation with regard to the allocation of its assets and liabilities by maturities in a file that contains figures from the statistical report A7X "Information about the structure of assets and liabilities by periods", which the Bank prepares and submits to the National Bank of Ukraine, as at 1 January in the year after the reporting year, i.e. as at 1 January 2023.

The Bank's compliance with regulations imposed by the National Bank of Ukraine with regard to:

Internal control questions

As a result of audit procedures within the audit of annual financial statements, we found no evidence that the structure and internal controls of the Bank did not comply with the National Bank of Ukraine regulations, in particular, with the Regulation of the government of the National Bank of Ukraine No. 88 dated 2 July 2020 "On the Approval of the Regulation on Organising Internal Controls in the Banks of Ukraine and Banking Groups".

Internal audit questions

In our opinion, at the time of the audit, the Bank's internal regulatory documents on internal audit procedures were in line with the National Bank of Ukraine regulations, in particular, with the Regulation of the government of the National Bank of Ukraine No. 311 dated 10 May 2016 "On the Approval of the Regulation on Organising the Internal Audit in Banks of Ukraine". Internal audit procedures are conducted in accordance with the Bank's internal regulations.

Determining the credit risk exposure on asset-side banking transactions

The Bank calculated the credit risk amount as at the reporting date in accordance with the National Bank of Ukraine regulations, including the Regulation on Determining the Credit Risk Exposure on Asset-side Banking Transactions approved by Resolution of the National Bank of Ukraine Board No. 351 dated 30 June 2016 (hereinafter – NBU Resolution No. 351).

As a result of audit procedures within the audit of annual financial statements, we did not identify any material departures from the credit risk calculation made by the Bank as at 31 December 2022.

Identification of related parties to the Bank and related-party transactions

As a result of audit procedures, we did not find any evidence of non-compliance of the Bank's risk management system with regard to related-party transactions, procedures for identifying parties related to the Bank and related-party transactions with the National Bank of Ukraine regulations. During our audit, we identified no violations of regulations with regard to related-party transactions.

Adequacy of the Bank's capital that should be determined by reference to the quality of its assets

The Bank's authorised capital as at 31 December 2022 is adequate and accounts for UAH 457,280 thousand. The Bank's regulatory capital as at 31 December 2022 is UAH 974,957 thousand, which is consistent with the National Bank of Ukraine regulations (refer to Note 33 "Capital Management").

Accounting

The Bank's accounting system is in line with the National Bank of Ukraine regulations and the Bank's accounting policies.

Other legal and regulatory requirements

Additional information provided in accordance with the "Requirements for information related to the audit or review of financial statements of capital market participants and organized commodity markets, supervised by the National Commission on Securities and Stock Market", approved by the decision of the National Commission on Securities and Stock Market dated 22.07.2021 №555

In accordance with the "Information Requirements for the Audit or Review of Financial Statements of Capital Markets and Organised Commodity Markets Supervised by the National Commission on Securities and Stock Market", approved by the decision of the National Commission on Securities and Stock Market (NSSMC) № 555 dated 22 July 2021, we report the following:

- JOINT STOCK COMPANY BANK ALLIANCE is an enterprise of public interest in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" № 996-XIV.
- Information on the Bank's shareholders, which is provided in Note 1 to the financial statements, in our opinion, corresponds to the information on the ultimate beneficial owners and ownership structure of the Bank disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations.
- As at 31 December 2022, the Bank did not have a parent company or subsidiaries, nor the Bank was a controller or a member of a non-banking group.
- The Bank is not subject to prudential indicators established by the NSSMC for professional participants in capital markets and organised commodity markets in accordance with the "Regulations on prudential standards of professional activity in the stock market and risk management system requirements" approved by NSSMC decision №1597 dated 1 October 2015.
- The results of the audit of the audit committee are not provided, as the audit committee did not conduct audits of the financial and economic activities of the Bank for the financial year.
- Limited Liability Partnership "Baker Tilly Ukraine" (EDRPOU code: 30373906. Website of the auditor: www.bakertilly.ua) performed an audit of the financial statements of JOINT STOCK COMPANY BANK ALLIANCE in accordance with the additional agreement №5 dated 27 October 2022 to the main agreement №120/20 dated 20 October 2020. The engagement commenced on 1 November 2022 and ended on 22 May 2023.

Regarding the information on corporate governance provided in the Management Report

Based on the results of the work carried out during the audit, taking into account the knowledge formed in the audit process and understanding of the Bank's activities and conditions of its work, in all material respects:

- the information contained in the section "Corporate governance" of the Management Report for 2022 in accordance with the requirements of paragraphs 1-4 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organised Commodity Markets" was prepared in accordance with Law of Ukraine "On Capital Markets and Organised Commodity Markets" and is consistent with the financial statements.
- in our opinion, the information contained in the section "Corporate governance" of the Management Report for 2022 contains all the information required by paragraphs 5-9 of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organised Commodity Markets" .

Key engagement partner

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

General Director

Baker Tilly Ukraine LLP

Auditor registration number in the Register of Auditors and Auditing Entities: No. 100810.

Oleksandr Pochkun

Partner

Baker Tilly Ukraine LLP

Auditor registration number in the Register of Auditors and Auditing Entities: No. 100794.

Yulia Gumenyuk



22 May 2023

Kyiv, Ukraine

Main information about the audit firm

Limited Liability Partnership "BAKER TILLY UKRAINE"
EDRPOU code: 30373906
Address of registration: 3 Grekova Street, APT 9, Kyiv, 04112, Ukraine
Location: 28 Fizkultury Street, Kyiv, 03150, Ukraine
Web-page: www.bakertilly.ua

Registration №23-667

Statement of financial position (Balance sheet)
of JSC "BANK ALLIANCE"
as of 31.12.2022

<i>In UAH '000</i>	Note	31.12.2022	31.12.2021
ASSETS			
Cash and cash equivalents	6	1 049 498	1 161 292
Loans and debts of banks	7	-	17 382
Loans and receivables from customers	8	4 517 027	3 906 928
Investments in financial instruments	9	4 026 891	6 163 445
Derivative financial assets	10	6 400	-
Current income tax receivable		5	5
Deferred tax asset	31	45 588	5 208
Fixed and intangible assets	11	68 412	68 239
Investment real estate	12	106 772	-
Right-of-use assets	13	46 192	63 437
Non-current assets held for sale and disposal group assets	14	92 149	67 539
Other financial assets	15	143 301	13 234
Other non-financial assets	15	17 208	16 543
Total assets		10 119 443	11 483 252
OBLIGATIONS			
Due to banks	16	2 100 000	2 100 058
Customer funds	17	5 857 144	7 697 311
Derivative financial obligations	18	-	333
Current income tax liabilities		48 924	38 862
Reserves for obligations	19	40 343	25 888
Lease obligations	20	57 126	66 224
Subordinated debt	21	290 952	272 317
Other funds raised	22	397 071	283 964
Other financial obligations	23	317 472	64 805
Other non-financial obligations	23	20 347	20 388
Total obligations		9 129 379	10 570 150
EQUITY			
Authorized capital	24	457 280	457 280
Reserve and other funds of the bank	24	61 083	44 530
Retained earnings (uncovered loss)		471 701	411 292
Total equity		990 064	913 102
Total obligations and equity		10 119 443	11 483 252

Approved for release and signed

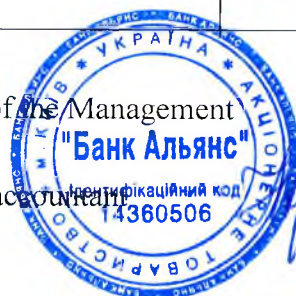
March 17, 2023

Implementer

Ratsun T.V. (044) 224-66-73

Head of the Management

Chief accountant



Yulia FROLOVA

Natalia BOCHKOVSKA

Statement of profit or loss and other comprehensive income
(Statement of financial results)
of JSC "BANK ALLIANCE"
for the year ended 31.12.2022

<i>In UAH '000</i>	Note	Year 2022	Year 2021
Interest income	26	953 037	728 633
Interest expenses	26	(1 114 413)	(563 671)
Net interest income/(Net interest expense)		(161 376)	164 962
Commission income	27	326 229	542 118
Commission expenses	27	(38 349)	(43 511)
Net gain/(loss) from transactions with financial instruments at fair value through profit or loss	30	888 533	(108 689)
Net profit/(loss) from transactions with foreign currency		154 422	558 163
Net gain/(loss) from foreign currency revaluation		87 095	(30 267)
Net loss from impairment of financial assets		(564 891)	(276 973)
Net loss/(gain) from increase/(decrease) in provisions for liabilities	19	(14 455)	(7 532)
Net gain/(loss) on derecognition of financial assets carried at amortized cost		(156 217)	(11 023)
Other operating income	28	21 027	20 744
Expenses for employee benefits		(227 572)	(199 389)
Depreciation and amortization		(54 088)	(54 840)
Other administrative and operational expenses	29	(164 837)	(149 779)
Profit/(loss) before tax		95 521	403 984
Income tax expenses	31	(18 559)	(72 925)
Profit/(loss) from continuing operations		76 962	331 059
Profit/(loss)		76 962	331 059
OTHER TOTAL INCOME:			
ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS			
Total gross income		76 962	331 059
Profit (loss) belonging to the owners of the bank		76 962	331 059
Total income belonging to the owners of the bank		76 962	331 059
Profit/(loss) per share from continuing operations (UAH)	32	4.81	20.69
Profit/(loss) per share owned by the bank's owners (UAH)		4.81	20.69

Approved for release and signed

March 17, 2023

Implementer

Ratsun T.V. (044) 224-66-73

Head of the Management

Chief accountant



Yulia FROLOVA

Natalia BOCHKOVSKA

**Statement of changes in equity
(Statement of equity)
of JSC "BANK ALLIANCE"
for the year ended 31.12.2022**

<i>In UAH '000</i>	Belongs to the bank's owners						Total equity
	Share capital	Share premium and other additional capital	Unregistered share capital	Reserves and other funds	Undivided profit	Total	
Balance at the end of the year ended 31.12.2020	365 120	-	92 160	40 307	84 456	582 043	582 043
Total comprehensive income	-	-	-	-	331 059	331 059	331 059
Distribution of retained earnings to reserve and other funds	-	-	-	4 223	(4 223)	-	-
Unregistered share capital	92 160	-	(92 160)	-	-	-	-
Balance at the end of the year ended 31.12.2021	457 280	-	-	44 530	411 292	913 102	913 102
Total comprehensive income	-	-	-	-	76 962	76 962	76 962
Distribution of retained earnings to reserve and other funds	-	-	-	16 553	(16 553)	-	-
Unregistered share capital	-	-	-	-	-	-	-
Balance at the end of the year ended 31.12.2022	457 280	-	-	61 083	471 701	990 064	990 064

Approved for release and signed

March 17, 2023

Implementer

Ratsun T.V. (044) 224-66-73

Head of the Management

Chief accountant



(Handwritten signature)

Yulia FROLOVA

Natalia BOCHKOVSKA

Statement of cash flows
of JSC "BANK ALLIANCE"
for the year ended 31.12.2022
(by direct method)

<i>In UAH '000</i>	Note	Year 2022	Year 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received	26	1 124 107	711 678
Interest expense paid	26	(1 121 736)	(542 854)
Commission income received	27	326 893	554 242
Commission expenses paid	27	(37 051)	(44 870)
Result of transactions with financial derivatives	30	100 444	(513 486)
Result of transactions with foreign currency		154 422	558 163
Other operating income received	28	10 349	20 744
Employee benefits paid		(228 362)	(195 208)
Administrative and other operating expenses paid	29	(164 837)	(149 779)
Income tax paid		(48 878)	(44 768)
Cash flows from operating activities before changes in operating assets and obligations		115 351	353 862
<i>Changes in operating assets and obligations</i>			
Net (increase)/decrease in trading securities	9	211 098	(1 569 083)
Net (increase)/decrease in derivative financial assets/obligations	10,18	(6 733)	(1 461)
Net (increase)/decrease of funds in other banks	7	17 952	52 869
Net (increase)/decrease in customer loans and debts	8	(1 064 878)	(1 149 391)
Net (increase)/decrease in other assets	15	(131 688)	(15 345)
Net increase/(decrease) in due to banks	16	(58)	1 043 505
Net increase/(decrease) in client funds	17	(1 832 656)	2 496 181
Net increase/(decrease) in other obligations	23	245 448	(237 810)
Net cash provided by/(used in) operating activities		(2 446 164)	973 327
CASH FROM INVESTMENT ACTIVITIES			
Acquisition of securities	9	(28 330 000)	(123 179 000)
Redemption of securities	9	30 554 128	122 519 000
Acquisition of fixed assets	11	(14 586)	(47 438)
Acquisition of intangible assets	11	(6 667)	(4 504)
Net cash provided by/(used in) investment activities		2 202 875	(711 942)
CASH FROM FINANCIAL ACTIVITIES			
Receipt of other borrowed funds	21,22	25 491	415 871

<i>In UAH '000</i>	Note	Year 2022	Year 2021
Payment of rent		(27 019)	(30 097)
Net cash provided by/(used in) financial activities		(1 528)	385 774
Effect of the National Bank of Ukraine official exchange rate changes on cash and cash equivalents		195 318	(48 341)
Impact of expected credit losses on cash and cash equivalents		(62 295)	(7 527)
Net increase/(decrease) in cash and cash equivalents		(111 794)	591 291
Cash and cash equivalents at the beginning of the period	6	1 161 292	570 001
Cash and cash equivalents at the end of the period	6	1 049 498	1 161 292

Approved for release and signed

March 17, 2023

Implementer

Ratsun T.V. (044) 224-66-73

Head of the Management

Chief accountant



Yulia FROLOVA

Natalia BOCHKOVSKA

Note 1. Information about the bank

BANK ALLIANCE JOINT STOCK COMPANY was established in accordance with the decision of the Constituent Assembly of the Founders (Protocol No. 1 dated March 9, 1992) and registered by the National Bank of Ukraine on March 10, 1992 under No. 89.

In accordance with the decision of the General Meeting of Shareholders (Minutes 1/2018 of April 17, 2018), BANK ALLIANCE PUBLIC JOINT-STOCK COMPANY changed the type of joint-stock company BANK ALLIANCE JSC from public to private, and accordingly the name was changed to BANK ALLIANCE JOINT-STOCK COMPANY.

Official name:

in Ukrainian: full — АКЦІОНЕРНЕ ТОВАРИСТВО «БАНК АЛЬЯНС» abbreviated — АТ «БАНК АЛЬЯНС»

in English: full — JOINT STOCK COMPANY "BANK ALLIANCE" abbreviated — JSC "BANK ALLIANCE"

Country of registration: Ukraine

Location: 50, Sichovykh Striltsiv Str., Kyiv, 04053, Ukraine

Organizational and legal form of business is a private joint-stock company.

BANK ALLIANCE JOINT STOCK COMPANY carries out its activities on the basis of the Laws of Ukraine "On Banks and Banking Activities", "On Joint Stock Companies", "On Financial Services and State Regulation of Financial Services Markets", "On Accounting and Financial Reporting in Ukraine", "On Capital Markets and Organized Commodity Markets", the Civil Code of Ukraine, the Economic Code of Ukraine, other laws of Ukraine, as well as on the basis of regulatory acts of the National Bank of Ukraine and the National Securities and Stock Market Commission, other applicable legislative and regulatory acts of Ukraine.

The bank is a universal financial institution.

The bank operates in the city of Kyiv, oblasts of Zhytomyr, Zakarpattia, Zaporizhia, Lviv, Dnipropetrovsk, Kharkiv, Odesa, Chernivtsi, Mykolaiv, Poltava, Chernihiv, Cherkasy, Vinnytsia, Sumy, Kirovohrad, Khmelnytskyi, Ivano-Frankivsk, Volyn, Ternopil and Rivne; has no representative offices. The total number of branches opened by the Bank as of December 31, 2022 was 33 branches.

Due to introduction of martial law in Ukraine, in accordance with the Decree of the President of Ukraine No. 64/2022 "On the introduction of martial law in Ukraine", and in order to ensure the uninterrupted operation of JSC BANK ALLIANCE branches providing customer service under martial law, as well as taking into account the requirements of the Resolution of the Board of the National Bank of Ukraine No. 18 "On the operation of the banking system during the period of martial law" dated 24.02.2022, the operation of a number of the Bank's branches was suspended. The Bank informs about the current changes in the opening hours of its branches on its website <https://bankalliance.ua/articles>.

The bank does not have a specialized bank status.

BANK ALLIANCE JSC was registered by the National Bank of Ukraine on March 10, 1992, registration No. 89. The Bank has an indefinite Banking License No. 97 dated November 17, 2011, issued by the National Bank of Ukraine for the right to provide banking services specified in part three of Article 47 of the Law of Ukraine "On banks and banking activity".

In accordance with the current legislation, the Bank carries out professional activities in the capital markets:

- trading in financial instruments - brokerage and sub-brokerage activities, the relevant brokerage licence AE No. 294590 was issued by decision of the NSSMC No. 1582 dated 25.11.2014, and by decision of the NSSMC No. 420 dated 23.06.2021, sub-brokerage activities became possible from 01.07.2021;
- dealing in financial instruments - dealing activities, the relevant licence was issued by the decision of the NSSMC No. 387 dated 23.07.2019;
- depository activities of the depository institution, the relevant licence was issued by the decision of the NSSMC No. 387 dated 23.07.2019.

All the above-mentioned NSSMC licenses are valid and indefinite.

JSC "BANK ALLIANCE" is a member of the Individual Deposit Guarantee Fund (Certificate No. 023 dated October 18, 2012, registration No. 025 dated September 2, 1999).

As of December 31, 2022, the Bank is a participant and member of the following associations and organizations:

- Independent Association of Banks of Ukraine (IABU);
- European Business Association (EBA).
- MasterCard international payment system;
- VISA international payment system;
- PROSTIR (IIPOCTIP) national payment system;
- Ukrainian Interbank Association of payment system members "EMA";
- Stock Exchange "PFTS";
- Stock Exchange "Perspektiva";
- Professional Association of Capital and Derivatives Market Participants;
- "Ukrainian Stock Traders" association;
- The Bank signed a licence agreement to participate in the Union Pay international payment system.

The Bank's purpose is to satisfy public needs in banking and other financial services (except services in the insurance field), other banking activities defined by current legislation of Ukraine; attracting, accumulating, ensuring the movement and redistribution of the monetary mass, as well as generating profit from the results of banking activities.

Based on the chosen Strategy, the Bank's Vision, Mission and Goal is formulated as follows:

VISION: BANK ALLIANCE is a reliable and universal bank that has the trust of society and builds a long-term partnership, providing clients with modern solutions with an individual approach.

MISSION: Creating favorable conditions for Ukrainian economy development and stable gross domestic product growth, maintaining the optimal balance of interests of clients, shareholders and the Bank itself.

We give people confidence and reliability, we make their lives better by helping them realize their aspirations and dreams. Our mission defines meaning and content of the Bank's activities and emphasizes its important role in the national economy and society - maintaining confidence, reliability and stability. Our clients, their needs, dreams and aspirations are the basis of our operation as an organization. At the same time, realization of the Bank's goals is impossible without realization of the personal and professional goals of the people who work in it. The Grand Idea is achieved by a team of like-minded people united by a common system of values.

OBJECTIVE: to be a reliable financial partner focused on the interests of clients and occupy strong positions in targeted client segments, to ensure the Bank's profitable operation.

As part of this mission, the Bank implements a risk management strategy based on the principle of balance between profits and the level of risk taken by the Bank. This principle allows maintaining financial stability in conditions of negative influence of external and internal factors on operation.

The Bank adheres to the principles of corporate governance for banks, the basis of which was laid by the Basel Committee on Banking Supervision.

In order to achieve its strategic goals, the Bank regularly improves its business model, adapting it to changes in the macroeconomic environment in which the Bank operates, and to the demands of customers, which grow from year to year.

Small and medium-sized enterprises and micro-businesses have been selected as the key segment of customers that the Bank will focus on. The bank directs its efforts to the formation of long-term partnerships with clients, promotion of their financial well-being and improvement of banking service.

The Bank's main activities are:

- credit and deposit operations;
- currency purchase and sale transactions;
- customer settlement and cash service;
- financial instruments trading activity;
- provision of consulting and information services, including operations on the foreign exchange market.

The Bank actively uses interbank market tools for prompt placement (attraction) of temporarily free funds, as well as for currency exchange operations.

The highest management body of the Bank is the General Meeting of Shareholders.

The Bank's Supervisory Board is a body that protects the rights of depositors, other creditors and shareholders of the Bank, and within the scope of competence defined by the Statute and current legislation of Ukraine, monitors and regulates the activities of the Bank's Management Board.

The Bank's Management Board is a permanent collegial executive body of the Bank, which manages the Bank's day-to-day activities, resolves issues within the scope of competence defined by the current legislation of Ukraine, the Statute and the Regulations on the Management Board, and is responsible for the Bank's performance in accordance with the principles and procedures defined by the Bank's Statute, decisions of the General Meeting and the Supervisory Board of the Bank.

As of 31.12.2022, the Charter of BANK ALLIANCE JOINT STOCK COMPANY was in force, approved by the extraordinary General Meeting of shareholders of BANK ALLIANCE JOINT STOCK COMPANY (minutes No. 3/2021 of November 26, 2021) and registered on January 28, 2022 by the State Registrar. The certificate of registration of the issue of shares with a nominal value of 28.58 hryvnias for each share was issued to the Bank by the NSSMC on June 03, 2021 under No. 27/1/2021.

The owner of a significant share of the Bank is a citizen of Ukraine Sosis Oleksandr Yosypovych. His share is 89.289006% of the authorized capital of the Bank.

The Bank's management has a stake in the amount of 639 190 ordinary registered shares, which is 3.9949% of the authorized capital of the Bank.

At the meeting of the Rating Committee dated January 27, 2023, the National Rating Agency "Rurik " confirmed JSC "BANK ALLIANCE" long-term credit rating of the borrower at the level of uaAAA of the investment category with a change in the forecast to "in development". The Bank's rating is determined according to the National rating scale.

In connection with the military aggression of the Russian Federation and the introduction of martial law in Ukraine, in correlation with the revision of the credit rating of Ukraine, on July 29, 2022, S&P Global Ratings confirmed the Bank's long-term and short-term credit ratings of the issuer at the "CCC/C" level. The rating forecast is "in development".

On October 24, 2022 S&P Global Ratings has confirmed the Bank's long-term international credit rating in foreign currency at the level of "CCC", the forecast is "in development".

The Bank's financial statements for the year 2022 were approved for release by decision of the Management Board of JSC BANK ALLIANCE (Minutes No. 22 of March 17, 2023).

Note 2. Economic environment in which the bank operates

During 2022, the global economy experienced a slowdown, amidst the highest inflation rate in several decades. The cost of living crisis, worsening financial conditions in most regions, Russia's invasion of Ukraine, and protracted COVID-19 pandemic have a significant negative impact on development prospects. Global economic growth is forecasted to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth since 2001, excluding the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation rose from 4.7% in 2021 to 8.8% in 2022.

Economic development forecast depends on successful choice of monetary and tax-budget policy measures, the course of the war in Ukraine, and growth prospects in China. The risks are still extremely high: a wrong course of monetary policy may be chosen to reduce inflation; divergent policy trajectories in the largest economies may increase the appreciation of the US dollar; tightening of global financing conditions may push emerging market countries into a critical debt situation; the deepening crisis in China's real estate sector may weaken economic growth. Inflation in some countries has reached the highest level in 40 years. While wage growth has generally lagged behind inflation for now, there is a risk that prices and wages could start to reinforce each other, and price-wage inflation could turn into a persistent wage-price spiral. However, the risks of a persistent wage-price spiral seem limited, as the labor market is not the source of underlying inflationary shocks, and monetary policy is actively tightening.

Perhaps the world economy would have coped with the problems if the Russian Federation had not invaded Ukraine on February 24, 2022, and the Kremlin had not declared an energy war on Europe. Therefore, 2023 will be even more difficult than 2022, and a third of the world's economy will face recession. Recession risks are exacerbated by the fact that the US, EU and Chinese economies are slowing growth simultaneously, but at the same time, China may face new economic challenges much sooner due to rapid spread of Covid-19.

2022 was a difficult year for the economy of Ukraine, which, in turn, suffered the greatest losses and damages in the entire history of independence. The harm was caused by the Russian Federation on February 24 scaling up the military conflict, which began back in 2014. However, successes of the Ukrainian Defense Forces on the battlefield, coordinated work of Government and business, indomitable spirit of the people, speed of restoration of destroyed/damaged critical infrastructure objects by domestic services, as well as systematic financial support from international partners allowed us to maintain the economic front and continue movement towards victory. In the second half of the year, Ukraine's economy began to slowly recover from the precipitous decline caused by the full-scale war, but destruction of the energy infrastructure interrupted this trend. According to expert estimates, GDP will fall by about a third in 2022, and next year will grow slower than was predicted before the bombings. This will slow the recovery of demand for financial services and cause additional credit losses for banks. According to the preliminary assessment of the analysts of the Ministry of Economy, the drop in GDP at the end of 2022 is estimated at the level of 30.4% [$\pm 2\%$] (after a growth of 3.4% in 2021). This is objectively the worst result since independence, but better than most experts expected at the start of the full-scale invasion, when estimates ranged from 40-50% drop in GDP and beyond.

In December 2022, consumer inflation in annual terms amounted to 26.6%. The acceleration of inflation in 2022 is primarily related to the consequences of Russia's full-scale military aggression. Among them: destruction of enterprises and infrastructure, disruption of production and supply chains, growth of business production costs, situational demand for certain goods and services. Indirect consequences of the war also had an impact, in particular, exchange rate effects and the deterioration of population and business expectations over the course of the year. In addition, prices in Ukraine were pressured by the global acceleration of inflation. Despite the war and high world inflation, the actual rates of price growth in Ukraine remained under control, and inflationary pressure stabilized in the last months of 2022. It was possible to ensure relatively moderate inflation dynamics thanks to the anti-crisis measures of the NBU and the Government with the support of international partners and, of course, the successful actions of the Ukrainian army, which not only stopped the Russian offensive, but also liberated Ukrainian lands.

At the beginning of the Russian invasion, the National Bank of Ukraine departed from the traditional principles of inflation targeting and introduced fixing the exchange rate. In the middle of the year, in order to balance the economy, the NBU made a one-time adjustment of the exchange rate and subsequently again maintained it at an unchanged level. The fixed exchange rate is an important anchor for the expectations of all economic agents and served as a safeguard against panicky sentiments. The NBU's return to an active interest policy during the year and increase in discount rate to 25%, along with the further expansion of the range of instruments to support citizens' savings, further contributed to stabilization of expectations and containment of inflation. The growth of consumer prices was hampered by such measures of the Government as a moratorium on the increase of tariffs for housing and communal services for the population and reduction of certain taxes (in particular, VAT on fuel). Slowing of inflation at the end of the year (actual consumer

inflation in December 2022 turned out to be lower than the October forecast of the National Bank). This happened, in particular, as a result of establishment of supplies to the liberated Kherson region, expansion of food products supply and weaker consumer demand in conditions of power outages after a series of Russian terrorist attacks. Additionally, inflation was restrained by strengthening of hryvnia cash rate in the fall and stabilization of inflationary expectations. Despite the war, inflationary processes in Ukraine remain under control, and the NBU predicts a moderate slowdown in inflation in 2023. This will be facilitated by a consistent economic policy with the support from international partners and a slowdown in world inflation. At the same time, consumer inflation in Ukraine will continue to be high. In addition, risks for inflationary processes and deterioration of expectations remain significant, in particular due to possible escalation on the front, as well as terrorist attacks by Russia and the resulting shortage of electricity.

War is primarily high-quality weapons, ammunition, fortifications and money. It is money that is the tool for rebuilding destroyed buildings, purchasing humanitarian aid and supporting the economy of our state. It would be extremely difficult to overcome the enemy on our own, and therefore other states came to help almost immediately. According to NBU estimates, international financial assistance to Ukraine in 2022 is roughly USD 31 billion. According to the estimates of the chairman of the Budget Committee of the Verkhovna Rada of Ukraine, 59% of the sources of financing the state budget in 2022 is foreign aid. At the same time, non-returnable international aid (grants) makes up at least 44% of external support. Such a significant share of grants makes it possible to restrain the growth of the state debt of Ukraine. The largest aid donor is the United States of America. The international financial aid needed to finance the budget deficit and restore the economy will continue to arrive in 2023. There are preliminary agreements on the provision of EUR 18 billion by the European Union, as well as about USD 10 billion by the United States of America. Progress was achieved in negotiations with the IMF regarding the conclusion of a new Monitoring Program with the involvement of the Fund Council. The final approval of this program will contribute to attracting funding from other international donors in 2023.

The International Monetary Fund has been supporting Ukraine since the start of the full-scale invasion. In March 2022, within the framework of Rapid Financing Instrument (RFI) Ukraine received 1.4 billion dollars. In October, the IMF provided additional support in the amount of 1.3 billion dollars. thanks to the extension of the RFI for countries affected by the food crisis caused by Russia's full-scale attack on Ukraine.

Since the beginning of the Russian invasion, Ukraine has undergone large-scale destruction. The consequences of the invasion will be felt for several generations, because families have been separated and displaced, the development of human potential has been disrupted, cultural heritage has been destroyed, and the positive trajectory of economic development and the level of poverty has changed to a negative one. The war has a dramatic effect on employment across the country. According to recent surveys, about 40 percent of Ukrainians who had a job before the invasion lost it, while half of those employed faced a cut in wages. People, some of them, lost their income and many lost their purchasing power due to inflation. Many were forced to change their place of residence. The main economic tasks facing the Ukrainian government are maintaining macroeconomic stability and collecting taxes to continue paying for the most necessary services.

The stability of Ukraine's banking system should be noted: liquidity in general has remained high since the beginning of the full-scale war, and according to some indicators, it has even broken records. In addition to preservation of depositors' trust in banks, this is facilitated by regular and

significant receipts of government payments to the bank accounts of the population. However, the inflow of new funds to the sector is uneven: the main volumes are deposited in current accounts in state banks. Starting from the second quarter of 2022, the share of term deposits of the population in banks continues to decrease, so the funding structure is deteriorating. According to the National Bank: - this does not create immediate risks for the banking system, but weakens the resilience of individual banks to possible sharp changes in depositors' sentiments. Therefore, the Bank should make efforts to improve the term structure of funding and attract public funds, in particular by increasing deposit rates. The high discount rate also prompts banks to raise rates on hryvnia deposits. In addition, from 2023, the National Bank is increasing the provisioning standards for current accounts to give banks more incentives to extend liabilities.

Continuity of payments and operation of the network of branches also contributed to maintaining trust in banks. Throughout 2022, despite the full-scale war and missile terror, the electronic payment system of the National Bank of Ukraine performed its functions reliably and without interruption and fully satisfied the needs of the Ukrainian banking system and its customers for payments in the national currency. The number of payments is increasing. Banks have developed and are implementing measures to counteract the consequences of blackouts. Branches that will operate even in the event of a prolonged power and communication outage have been designated. Strengthening their own resistance to operational risks, banks incur significant costs, in particular for additional branch equipment. However, the largest component of losses from operational risk events is unearned income.

In the second half of 2022, the net hryvnia corporate loan portfolio of banks began to shrink slowly. The main reason for the reduction is the formation of reserves for loans, as well as the repayment of previously issued loans, which are not compensated by new issuances. A slowdown in economic activity due to security risks and power outages further reduces demand for credit. During the war, government programs play a key role in supporting lending. Credit risk continues to be the biggest threat to the financial stability of banks. In the highest risk zone are retail loans that are in arrears and loans to companies that have experienced significant losses of production assets and sales markets. Together, the actual and potential losses of the loan portfolio are estimated by specialists of the National Bank of the country at the level of 20%. At the same time, problems with electricity supply will worsen the performance of even existing businesses that have been servicing loans on time. Employee incomes and business operating cash flows will in many cases be insufficient to fully service loans. So now there are reasons to worsen the assessment of credit portfolio losses - if the current scale of problems in the energy sector is maintained, they may reach 30%.

Despite a difficult economic situation, the banking sector remains operationally profitable - this provides financial institutions with the first line of defense for absorbing credit losses. Interest income increased significantly due to growth in interest-earning assets as well as higher rates on investment instruments. At the same time, the increase in the share of current funds restrained the increase in the cost of funding. However, some banks that had a significant share of government securities in their assets were unable to sell their securities portfolios during the panic decrease in liquidity due to significant changes in the yield on the securities market and instead provided liquidity at the expense of stabilization loans secured by the National Bank of Ukraine. After a sharp increase in the discount rate, maintaining liquidity at the expense of such loans became too expensive, and the interest rate risk was realized. In the second half of the year, after a sharp fall during the spring, commission income increased thanks to the stable demand for banking services

and the gradual restoration of tariffs - in September, commission income already reached the pre-war level. During the year, most banks were able to optimize administrative costs. So, despite significant credit losses, the banking sector of the economy as a whole remained profitable, and the return on capital of the banking sector for eleven months was more than 9%. Most banks have a capital buffer above the minimum requirements. However, this excess buffer will probably disappear. The National Bank does not punish for violations of regulatory capital requirements if they are caused by the consequences of war. Relaxed regulation will be maintained for a long time. So financial institutions with viable business models and the ability to generate operating income will have enough time to recapitalize if needed.

Based on the Bank's development strategy for 2023-2025, micro-business and small and medium-sized business customers have been selected as the key segment on which the Bank will focus. The choice of the specified segment by the Bank means limiting excessive dependence on large customers, which will contribute to reducing the risk of concentrations. The bank will compete for targeted corporate clients by providing unique structured products and services. The General Strategy of the Bank provides for formation of high-quality credit and commission portfolios of the Bank, implementation of a balanced credit policy and development of service products to attract non-credit customers to commission services. In the credit policy, priorities will be given to projects aimed at strengthening the country's defense capabilities, effective import substitution and/or aimed at exporting its products. During the period of martial law and post-war economic recovery, the Bank's priority directions are:

- Agrarian sector of the economy - food supply of the country;
- Enterprises (objects) of critical infrastructure;
- Industries that ensure food safety - food industry, food retail, etc.;
- Infrastructure projects aimed at restoration/development of social, transport and critical infrastructure facilities;
- Transport and logistics infrastructure;
- Relocation of enterprises located in regions of active hostilities in time of war;
- Import substitution of products imported from Russia and/or Belarus.

The Bank plans to achieve strategic prospects for the development of its customer base, among other things, by developing and improving the following key services:

- improvement and automation of service for customers with foreign economic activity, including, but not limited to, remote opening of current accounts, setting limits for confirmation of documentary transactions, including from export credit agencies, implementation of services for online tracking of foreign economic payments, etc.;
- improvement of service for customers with balances and deposits in terms of improvement of the product line and digitization of processes (online service, etc.);
- revision and automation of internal processes affecting the service component, including, but not limited to, the use of self-service software and hardware complexes at the Bank's branches and in the wild to provide various payment services, integration of "Дія" application into the Bank's services, etc.;
- increasing the professional level of branch employees through development and implementation of training programs;
- implementation of the CRM system to systematize engagement and build quality relationships with existing customers.

Promising areas for identifying added value for customers are:

- products and services, including documentary transactions, for participants of exchange trading in natural gas and electric energy;
- integration of payment and banking services with payment systems "Ukraine - Abroad";
- together with suppliers of natural gas and electricity, credit products for end consumers, corporate clients and individual households;
- integration with crowd funding platforms for SME and micro-business clients to ease access to funding sources;
- asset management of pension funds with the favorable development of the pension reform;
- organization of placement of bonds for corporate clients of the Bank.

A separate segment of clients are international financial organizations, with which the Bank plans to develop cooperation within the framework of a number of projects related to the financing of both individual sectors (in particular, agricultural) and the economy of Ukraine as a whole. Thus, among the key projects, the joint projects of Ukraine and the European Investment Bank "Main loan for SMEs and companies with a medium level of capitalization" and "Main loan for the agricultural industry-Ukraine" should be highlighted. In addition, the Bank has signed agreements with the IFC (International Financial Organization) regarding the Bank's opening of a long-term credit line (in the amount of USD 5 million and EUR 5 million) and a trade financing line (in the amount of USD 10 million). The Bank continues actively implement products based on the results of participation in yet another IFC Project "Agrarian receipts in Ukraine", the purpose of which is to improve access to financial resources for small and medium-sized agricultural producers by launching the financial instrument "agrarian receipts" in Ukraine.

In accordance with the levels of tolerance of the Bank for credit risk, within which the Bank carries out its activities, work is planned to reduce the level of concentration in terms of economic sectors, both in relation to the total volume of the portfolio and to the regulatory capital of the Bank, since the regulatory capital itself is one of the most important indicators of activity, the main purpose of which is to cover the negative consequences of the implementation of various risks and ensure the protection of deposits, financial stability and stable operation of the institution. The risk of concentration will be reduced directly by increasing the regulatory capital of the Bank (at the expense of the profit received, conversion of funds into the share capital on the terms of subordinated debt).

Despite the fact that the management staff believes that it is taking appropriate measures to support the stable operation of the Bank under the existing circumstances, further instability of the operating conditions may cause a negative impact on the results of operations and the financial condition of the Bank, the nature and consequences of which cannot be determined at this time.

Note 3. Basics of submitting financial statements

The Bank's financial statements for 2022 are prepared in accordance with international accounting standards (IFRS).

The annual report for the year 2022 is presented in accordance with the requirements of the "Instructions on the Procedure for Compiling and Publishing Financial Statements of Banks of Ukraine", approved by the Resolution of the Board of the National Bank of Ukraine No. 373 dated 24.10.2011, and taking into account the "Methodical Recommendations on the Procedure for

Compiling Notes to the Financial Statements of Banks of Ukraine ", approved by the resolution of the Board of the National Bank of Ukraine No. 274-pm of April 9, 2019.

The functional currency in which accounting records and financial statements of the Bank are prepared is the hryvnia. The unit of measurement in which financial statements are submitted is thousands of hryvnias (UAH '000).

Going concern

As a result of the military aggression of the Russian Federation against Ukraine and the introduction of martial law in Ukraine on February 24, 2022, there have been significant changes in the business environment in which the Bank operates, including negative changes faced by the banking sector of Ukraine, in particular:

customer funds outflow at the beginning of the active phase of hostilities, which was partially compensated by support from the NBU through refinancing instruments, and further stabilization of the resource base;

a controlled reduction in the growth rate of the loan portfolio due to strengthening of the credit policy regarding new lending, in particular, in terms of activity types and regional presence of the potential borrower, with the aim of diversifying loan and investment portfolio, including by retention of a significant portion of government bonds, which are less risky, on the Bank's balance sheet;

deterioration of the financial condition of individual borrowers, inability of some borrowers to service loans due to cessation of business operations, loss of income sources by individuals as a result of martial law, which led to a partial quality decrease of the Bank's loan portfolio. In addition, some collateral property is located on the temporarily occupied territory, which also negatively affects credit risk assessment, but share of such property in the total amount is insignificant (2.1 % of the total value of the mortgaged property);

a decrease in the volume of commission income, which is connected with a decrease in business activity of clients. The key areas in which the Bank's commission income decreased were currency transactions (56%) and revenues from documentary transactions (39%), which is primarily related to the military aggression of the Russian Federation against Ukraine, introduction of martial law, introduction of restrictions on transactions with currency, a decrease in business activity in terms of export and import in connection with the change in logistics chains and a decrease in state procurement in the part that does not concern the country's military-industrial complex.

In order to analyze the impact of the risk of revenue shortfall and the Bank's ability to continue its operations under martial law conditions, the Bank's management prepared an updated financial forecast as of the end of 2022, which shows that the Bank is able to operate on a going concern basis. Planned activity indicators are reflected in the detailed (monthly) Budget of the Bank for 2023 and the Strategy of the Bank for 2023-2025, which were approved by the decision of the Supervisory Board of the Bank dated December 28, 2022 (Minutes No. 62).

The forecast was made using the principle of reasonable caution based on assumptions and measures that have been implemented or are planned to be implemented by the Bank's management:

- partial replacement of outflows of funds from deposit and current accounts of customers in the first months of the war temporarily took place at the expense of funds from the National Bank of Ukraine, attracted under the terms of refinancing. The source of repayment of the NBU refinancing loan was the funds received from the sale of domestic government bonds, which were

used to secure the specified operation. Currently, the situation with client funds outflow has stabilized, allowing to return the NBU funds in the amount of UAH 2.2 billion in the second half of 2022.;

- in the future, it is planned to further reduce dependence on NBU funding through early refund of funds, by attracting additional client funds (including as a result of the Bank's expansion into new regions), which is one of the essential assumptions taken when preparing an updated financial forecast, as well as due to the partial repayment of the loan portfolio and the reduction of domestic government bonds portfolio.

- the Bank has planned the next stage of capitalization, namely, an increase in authorized capital of the Bank at the expense of the profit of past years, as well as conversion of funds raised on the terms of subordinated debt in the amount of UAH 159 000 000 into the Bank's capital, which is certainly evidence of support from the Bank's Shareholders (recapitalization measures are planned for the first half of 2023);

- The Bank continues cooperation with international financial organizations - for example, since the beginning of the war, the Bank has additionally attracted 2 million euros from the European Investment Bank; in addition, a credit line was opened to the Bank by the International Financial Corporation (EUR 5 million and USD 5 million), which the Bank has not yet used;

- due to military aggression of the Russian Federation, the Bank strengthened its credit policy in terms of regional and industry risks, borrower profile, as a result crediting rates will be lower than in previous years.

- deterioration of macro indicators, in particular, a fall in GDP and an increase in the level of inflation, which had a negative impact on commission income (decrease) and the level of administrative and economic expenses (increase), respectively. In 2022, the Bank earned a loss from sale of securities, which can be used in the future to reduce the profit from sale of similar securities, and as a result, it recognized deferred tax assets in the amount of UAH 36 632 000 as of 31.12.2022. As per tax plans, the Bank plans to use this asset in 2024-2026. In terms of trading profit, the level of income is planned to be significantly lower than in 2022 - from currency transactions (UAH 53 million) due to the presence of regulatory restrictions on currency transactions and from securities transactions (UAH 108 million) due to smaller planned volumes of domestic government bonds trade

A stress test of the Bank's credit risk was conducted as of the end of 2022, the scenarios of which, in particular, include a default of borrowers (property damage, non-payment of interest), a change in the market (fair) value of a collateral, a change in the hryvnia exchange rate (devaluation), etc. According to the Management's assessment, according to the optimistic scenario, which foresees a deterioration of the above indicators by 10%, additional expenses for reserve formation amount to UAH 175 983 000. Under the pessimistic scenario, which assumes a deterioration of the above indicators by 20%, additional costs for reserve formation amount to UAH 405 551 000.

The overall impact of credit risk stress testing on the bank's capital and the fulfillment of economic standards in the worst case scenario will be: H2 - 11.6%, with a normative value of at least 10%, H7 - 39.3%, with a normative value of no more than 25%.

It should be noted that the increase in the level of credit risk is caused by the consequences of military aggression and its impact on the general level of the economy of Ukraine. Mitigation of the negative impact of credit risk stress testing is taken into account in the updated financial forecast

for 2023, the results of which indicate the adequacy of the Bank's capital to cover additional significant risks, namely:

- a more than two-fold increase in the authorized capital of the Bank, which will contribute to the strengthening of the Bank's financial stability, both due to conversion of funds raised on the terms of subordinated debt, and due to transferring to the Bank's capital of the profit of the reporting and previous years;
- strengthening of the Bank's credit policy, which, on one hand, will reduce lending rates and, on the other, contribute to improving the quality of the Bank's loan and investment portfolio;
- planned increase in the share of highly liquid funds (funds in the cash register and on accounts in other banks, including the National Bank of Ukraine) funds, which will make it possible to cover the potential liquidity deficit in the event of a decrease in income from repayment of credit debts by customers;
- an increase in the share of loan portfolio reserving, which will allow the Bank to accumulate a margin of safety in advance and, accordingly, absorb the negative consequences of the implementation of credit risk without a significant impact on the Bank's capital in the future.

Compliance with capital standards - as of the end of 2022, the Bank complied with both the requirements regarding the minimum level of regulatory capital (the actual amount was UAH 1 001.2 million), and the standards of capital adequacy H2 (15.89%) and capital adequacy H3 (7.95%). Despite this, in order to strengthen financial stability, the Bank plans to increase the authorized and, accordingly, the Bank's capital, as stated above, in the near future.

Compliance with other economic regulations established by the National Bank of Ukraine - as of January 1, 2023, the Bank complied with all regulations, in particular, liquidity and credit risk.

As of the end of 2022, 32 branches (out of 33) were operating, including a number of branches opened in 2022 with a focus on Western Ukraine (in Ivano-Frankivsk, Lutsk, Ternopil and Rivne). During 2023, 6 more new branches are planned to be opened, namely in Kamianets-Podilskyi, Mukachevo, Uman, Bila Tserkva, Brovary and Kyiv.

As part of "Power Banking" NBU project (POWER BANKING is a unified network of branches of Ukrainian banks created at the initiative of the National Bank of Ukraine, which will work and provide necessary services to clients even during a blackout) the bank has ensured operation of 19 branches on duty - backup power supplies have been installed for the continuous provision of the entire range of banking services to clients.

In addition, the Bank implemented a number of information technologies projects as a part of continuous activity ensuring process, such as launch of the DWH analytical data repository, launch of additional backup communication channels to the National Bank of Ukraine (reserve site of the National Bank of Ukraine in Lviv - channels from Kyiv Data Center and Lviv Data Center), implementation of satellite communication backup channels, implementation of the NBU SEP4 project.

The above-mentioned conditions and circumstances definitely had a negative impact both on individual indicators of activity and on the level of performance of indicators planned by the Budget and Strategy for the Bank as a whole based on the results of 2022. The most significant negative impact of the Russian military aggression on the Bank's financial results during 2022 was

the formation of reserves for expected losses, which is explained by the Bank's extremely conservative approach (applying the principle of caution) to the assessment of credit risk, as well as increase in the cost of resource base as a result of the National Bank of Ukraine's increase in discount rate in June 2022. The specified factors were expected and, accordingly, the Bank's Management made maximum efforts to eliminate their negative impact on the Bank's financial condition as soon as possible, in particular, based on the results of 2022, the Bank formed reserves not only for actual, but also for expected future credit risks, and based on results of the second half of 2022, the Bank closed most of the refinancing loan from the National Bank of Ukraine, which is the most expensive component of the Bank's resource base.

In addition, it should be noted that stabilization of a number of risks, as well as improvement of the macroeconomic environment as a whole, which was noted at the last meeting of the Council of the National Bank. Thanks to international aid, international reserves have increased. Together with significant foreign currency liquidity of banks, this in the long term creates the basis for a possible relaxation of certain currency restrictions. As security risks decrease, Ukraine will return to economic growth in 2024-2025. Despite the continuation of the war, inflation in 2023 will slow down and remain manageable thanks to the measures of the NBU and the government, as well as the support of international partners. Clients have maintained their trust in the banking system, the inflow of liquidity to it is maintained, and the growth of term deposits has resumed.

The Bank's management, taking into account expected liquidity indicators, expected profitable activity, planned growth of the authorized capital due to the profit of the past years and subordinated debt, compliance with the regulatory requirements of the National Bank of Ukraine, believes that there are sufficient grounds for preparing these statements based on going concern basis. The bank has been operating under martial law for almost a year, ensuring full technological continuity of all key business processes and operational activities in general, including complete energy independence and uninterrupted communication of the Head Office and most branches of the Bank due to connection to generators and Starlink equipment was ensured, as well as having already reflected the negative result of the implementation of the main types of risks caused by the military situation in the country, in particular, credit, liquidity, interest and operational. Since management estimates and forecasts were based on assumptions and events that had no analogues in the past, both for the Bank and for the state as a whole, and given the uncertain impact of the future development of a military invasion and the timing of the end of hostilities, there is a material uncertainty that may cast doubt on the Bank's ability to continue as a going concern.

Taking into account the implemented and planned measures to strengthen the Bank's financial stability, the availability of a wide range of tools used to level the negative impact of risks inherent in activities under martial law, and to ensure the continuous operation of the Bank, the forecast values of the Bank's key performance indicators, in particular, capital adequacy standards and liquidity, Management has come to the conclusion that, notwithstanding the above-mentioned factors, which may cause material uncertainty regarding the Bank's ability to continue as a going concern, there are sufficient grounds for preparing these financial statements on a going concern basis.

Note 4. Principles of accounting policy

In accordance with the requirements of the legislation and the Bank's internal documents on accounting and financial reporting, the Bank's management system, its organizational structure, the

Bank independently determines specific accounting methods and accounting procedures that make up its accounting policy.

The accounting policies used in the preparation of these financial statements are set out below.

Note 4.1. Consolidated financial statements

JSC "BANK ALLIANCE" is not a part of banking groups and did not prepare consolidated financial statements in 2022.

The bank has no subsidiaries and associated companies.

Note 4.2. Basics of evaluation of financial reporting

Financial assets and/or financial liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the financial instrument. All regular (ordinary) acquisitions of financial assets are recognized by the Bank on the settlement date. The assets and liabilities of the Bank are estimated and reflected in the accounts with a sufficient degree of caution in order to avoid the possibility of transferring existing financial risks to the following accounting periods. An asset is recognized when there is a probability of receipt of future economic benefits for the Bank and the asset has a cost price or a value that can be reliably calculated. Liabilities are the present indebtedness of the Bank, arising as a result of past events, the repayment of which is expected to release the Bank's resources.

Note 4.3. Financial instruments

4.3.1. Classification of financial instruments by categories. Description and assessment of business models used to manage financial assets and the characteristics provided by the cash flow contract (SPPI test)

Financial assets.

According to the provisions of IFRS 9, financial assets are classified according to one of three assessed categories:

- at amortized cost;
- at fair value with recognition of revaluation in other comprehensive income;
- at fair value with revaluation recognized in profit or loss.

At initial recognition, financial assets are measured at fair value plus (if the investment is not classified as a financial asset at fair value, with the revaluation reflected as profit or loss) expenses directly related to the transaction.

If, on the date of initial recognition, the fair value of a financial asset differs from the transaction price (without taking into account transaction costs), the Bank reflects such difference as follows:

- for transactions with shareholders: in equity;
- for other operations: in profits or losses.

All standard operations of financial assets are reflected on the date of the operation, that is, on the date when the Bank undertakes to purchase the asset.

Classification and evaluation of financial assets reflects the business model of managing financial assets and the characteristics of their cash flows. Depending on the chosen business model and the characteristics of contractual cash flows (based on the results of the SPPI test conducted in accordance with IFRS 9 "Financial Instruments"), the bank's financial assets can be classified into groups.

A financial asset is subject to assessment at amortized cost if the following conditions are simultaneously met:

- the asset is held within the framework of a business model, the purpose of which is to hold assets in order to collect contractual cash flows;
- the contractual terms of the financial asset stipulate the receipt on certain dates of cash flows, which are only the repayment of the principal amount and the payment of interest on the outstanding part of the principal amount.

A financial asset is classified for further evaluation at fair value with recognition of revaluation in other comprehensive income if it is held within the framework of a business model, the purpose of which is the collection of contractual cash flows, as well as the sale of financial assets; and the contractual terms of the financial asset provide for the receipt of funds on certain dates, which are exclusively the payment of the principal amount and interest on the outstanding part, the Bank may make an irrevocable decision to reflect further changes in the fair value of the instrument in other comprehensive income. This selection is made on an investment-by-investment basis, and mainly applies to strategic investments that are not investments in subsidiaries.

All other financial assets, i.e. financial assets that do not meet the criteria for classification at amortized cost or fair value through other comprehensive income, are classified for further measurement at fair value through profit or loss. In addition, the Bank has the right upon initial recognition to irrevocably designate a financial asset as an asset at fair value through profit or loss if such selection eliminates or significantly reduces an inconsistency in measurement or presentation (sometimes referred to as an "accounting mismatch") that would otherwise arise as a result of valuing assets or liabilities or recognizing gains or losses on them using different methods.

Financial obligations.

After initial recognition, the Bank evaluates and reflects in accounting all financial liabilities at amortized cost, with the exception of:

- financial liabilities accounted for at fair value with recognition of revaluation due to gains/losses;
- financial obligations that arise if the transfer of a financial asset does not meet the conditions for derecognition or the principle of continued participation is applied;
- contracts of financial guarantee, aval, pledge;
- lending obligations at a rate below the market rate;
- contingent consideration recognized by the buyer during a business merger to which International Financial Reporting Standard 3 "Business Mergers" is applied. Such contingent consideration is subsequently measured at fair value with recognition of revaluation through gains/losses.

To calculate the effective interest rate, the bank determines the cash flows taking into account all the conditions of the financial instrument, including all commissions and other amounts that are an integral part of the income (expenses) of the financial instrument. The Bank uses the cash flows stipulated by the relevant contract during the term of the contract, if it is impossible to reliably estimate the cash flows or the expected term of the financial instrument.

4.3.2. Initial recognition of financial instruments

At initial recognition, all financial assets, except for financial receivables and receivables from the Bank's business operations, are valued at fair value with the exception of financial instruments that are valued at fair value with recognition of revaluation through gains/losses. The best evidence of the fair value of a financial asset at initial recognition is generally the transaction price, i.e. the fair value of the consideration given.

If the nominal interest rate on a financial asset does not reflect the market interest rate (for example, the contractual rate is 5 percent, while the market rate on similar loans is 8 percent), and the Bank receives an initial payment as compensation (commissions, compensation payments, etc.) , the financial asset is recognized at fair value, that is, after deducting the payment received.

The fair value of financial assets that are classified at amortized cost must take into account transaction costs (other payments directly related to the creation/recognition of the financial instrument) that are reflected in the unamortized discount/premium accounts.

The initial cost of financial assets accounted for at fair value with recognition of revaluation through gains/losses does not include transaction costs. Costs of transactions for the acquisition of such financial assets are reflected in the income and expense accounts.

Upon initial recognition, all financial liabilities, except for financial payables and payables for business transactions, are valued at fair value, increased or decreased in the case of a financial liability that is not valued at fair value through profit or loss, by the amount of the Bank's expenses under the agreement, which are directly related to the acquisition or issuance of a financial obligation.

Financial payables and trade payables are treated as trade payables. Given that such payables do not contain a significant financing component, they are recognized initially at the transaction price.

LORO accounts and customer deposits on demand (including current accounts) are valued at cost.

4.3.3. First day profit or loss

At the time of initial recognition of a financial instrument, the Bank reflects in accounting a profit or loss in the amount of difference between the fair value of the financial asset or financial liability and the value of the contract in correspondence with accounts of discount/premium, if the effective interest rate for this instrument is higher or lower, than the market one. The difference between the fair value of a financial asset or liability and the contractual amount of transactions with the bank's shareholders is recognised in equity in accounts of class 5 "Bank's equity" of the chart of accounts and included in retained earnings (loss) on a straight-line basis over the period of its holding or as a gross amount on disposal of the financial instrument. If the interest rate of a financial asset or liability differs from the market rate, the Bank recognizes a profit/loss on the first day.

4.3.4. Further recognition of financial instruments

Depending on the chosen business model and the characteristics of contractual cash flows (based on the results of the SPPI test conducted in accordance with IFRS 9 "Financial Instruments"), the bank's financial assets can be classified into the following groups:

- those valued at amortized cost;
- those valued at fair value with recognition of revaluation through other comprehensive income;
- those valued at fair value with recognition of revaluation through gains/losses.

The Bank's financial obligations can be classified into the following groups:

- those valued at amortized cost;
- those valued at fair value with recognition of revaluation through gains/losses;
- those valued at fair value with the result reflected partly in profit or loss and partly in other comprehensive income.

Estimated at amortized cost.

For financial assets at amortized cost, interest income is recognized using the effective interest rate method.

The effective interest rate method (hereinafter referred to as the EIR method) ensures the same level of profitability of a financial instrument by distributing income and expenses evenly over all periods during its term of validity.

The application of the effective interest rate is carried out in accordance with this policy, taking into account the Methodological recommendations on the calculation of the effective interest rate for financial instruments in Ukrainian banks.

To calculate the effective interest rate, cash flows are determined taking into account all the terms of contract for the financial asset, including all commissions and other amounts paid or received by the parties (transaction costs), which are an integral part of the income (expense) of the financial instrument, and amounts to be paid/received in the future, if such information is known at the time of initial recognition. If it is impossible to reliably estimate cash flows or expected duration of the financial instrument, then the final dates and amounts provided for in the contract are used.

For certain financial instruments for which the construction of cash flows is not possible (overdrafts, credit card loans, overnight loans/deposits, NOSTRO accounts, etc.), interest income/expenses are calculated using the nominal rate.

Interest income is not accrued on short-term financial debt, receivables from the Bank's business operations, cash, and the amortized cost is equal to the actual cost of acquisition or creation of the asset.

Such assets are tested for impairment at each reporting date and, if necessary, provisions for impairment are created or adjusted against them, with the result reflected in the profit and loss in Class 7 accounts.

Measurement at fair value through profit and loss.

For financial assets accounted for at fair value through profit and loss, on each reporting date (at the end of each month), the Bank recognizes income/expenses in amount of difference between fair and book value of the financial instrument.

First, interest is accrued, amortisation of discount or premium is calculated, and only then the financial asset is revalued or impaired by the difference between the fair value and the carrying amount of the asset.

For securities, the Bank recognizes interest income on debt securities accounted for at fair value with recognition of revaluation through gains/losses as part of revaluation. Interest and amortization of discount or premium on such securities are not carried out.

Such assets are not tested for impairment and no impairment reserves are created.

Measurement at fair value through other comprehensive income.

For financial assets accounted for at fair value through other comprehensive income, on each reporting date (at the end of each month), the Bank recognizes income/expenses in amount of difference between fair and book value of the financial instrument in capital accounts. Such assets (except for capital instruments) are tested for impairment at each reporting date and, if necessary, impairment reserves are created or adjusted for them with the result reflected in profit and loss.

For debt instruments, interest is first calculated, amortization of discount or premium is calculated, reserve is calculated, and only after that, revaluation or depreciation of the financial asset is performed in the amount of difference between the fair and book values of the asset.

Dividend income from shares is recognised in the income account, and only then is the financial asset revalued or impaired for the difference between the fair value and the carrying amount of the asset.

It should be taken into account that usually in presence of a reserve, a positive revaluation result is unlikely.

The revaluation amount recognized in equity is not transferred to profit and loss accounts. When financial assets are disposed of, accumulated revaluation is transferred to the retained profit/loss account.

For shares for which there are no market quotations, their cost price is taken as the fair value.

Cash, including NOSTRO-accounts, is further evaluated at amortized cost (the amortized cost is equal to the actual cost of acquisition or creation of the asset).

The method of evaluating financial liabilities valued at amortized cost is similar to the method of evaluating financial assets at amortized cost.

Guarantees are valued at the largest of two values:

- reserve amounts for expected credit losses;
- the amount initially recognised less amortisation of the amount of guarantee fees calculated on a straightforward basis.

LORO accounts and customer deposits on demand (including current accounts) are valued at cost.

The Bank records all non-derivative financial liabilities at amortized cost.

Derivatives are accounted for at fair value with the result of revaluation reflected in profit or loss. As for derivative financial liabilities the Bank acquires or creates for the purpose of hedging, given the lack of documentation regarding hedging relationships as required by IFRS 9, all such liabilities are also classified for accounting at fair value through gains/losses.

The general principles of classification of financial assets and liabilities are approved in the Regulation on the procedure for calculation of credit risk for active banking operations and formation of an estimated reserve for expected credit losses for operations with financial instruments in JSC BANK ALLIANCE (New Edition), hereinafter the Regulation, which is a component of the Regulations on Accounting Policy.

4.3.5. Reclassification of financial assets

Reclassification of financial assets recognized in accounting is carried out only in case of change in the business model of the Bank's operations. It is assumed that such changes will occur very rarely. Such changes must be determined by the Bank's top management in response to external or internal changes and must be significant for the Bank's activities and obvious to external parties.

Accordingly, a change in the Bank's business model can occur when and only when the Bank begins or ceases significant activities; for example, if the Bank acquired, disposed of, or ceased operations of a certain line of business. In particular, during the annual testing of the business model, if the business model changes due to exceeding the maximum sales volume for the period, provided that these sales indicate a change in the Bank's approaches to asset management (both existing and new), the Bank changes the business model and performs reclassification of existing assets on the first working day of January of the following year.

In all other cases of a business model change (in particular, if the business model changes as a result of exceeding the maximum sales volumes for the period, provided that the Bank does not plan to sell the remaining assets, but sales are considered for new assets acquired after the date of business model testing), existing financial assets are not reclassified, the new business model is applied only to financial assets acquired after the date of business model testing.

If the Bank reclassifies financial assets, it applies the reclassification prospectively from the date of reclassification. The Bank does not transfer any previously recognized gains, losses or interest.

In the event of a decision to reclassify a financial asset *accounted for at amortized cost into an asset accounted for at fair value with recognition of revaluation through gains/losses*, the Bank determines its fair value as of date of reclassification. The bank recognizes difference between the previous amortized cost of the financial asset and its fair value as part of profit or loss.

In an event of decision to reclassify a financial asset *accounted for at fair value with recognition of revaluation through profit/loss into an asset valued at amortized cost*, the Bank determines fair value of a financial asset on the date of reclassification. The fair value at the reclassification date is equal to the new gross book value of such asset.

The Bank determines the effective interest rate based on the gross book value of the financial asset in the new category and recognizes valuation allowances for expected credit losses on the reclassification date (if the reclassified financial asset is not an impaired financial asset).

In an event of decision to reclassify a financial asset *accounted for at amortized cost into an asset accounted for at fair value with recognition of revaluation in other comprehensive income*, the Bank determines its fair value on the date of reclassification. The Bank recognizes difference

between the previous amortized cost of the financial asset and its fair value as part of other comprehensive income. The Bank does not revise the effective interest rate determined at the time of initial recognition and the estimate of expected credit losses on the date of reclassification.

In the event of a decision to reclassify a financial asset *accounted for at fair value with recognition of revaluation in other comprehensive income* an asset accounted for at amortized cost, the Bank evaluates such financial asset at fair value on the date of reclassification.

The Bank excludes accumulated gain or loss previously recognised in other comprehensive income from equity at the date of reclassification. This adjustment affects other comprehensive income but has no effect on profit or loss and is not a reclassification adjustment. The effective interest rate determined on initial recognition and the measurement of credit losses at the date of reclassification do not change.

4.3.6. Criteria for recognizing reserves for liabilities

The Bank calculates credit risk based on provided financial obligations on an individual basis. The Bank assesses the credit risk based on provided financial obligations, which are accounted for in the off-balance sheet accounts of the following groups:

- provided guarantees, sureties, letters of credit and acceptances;
- credit obligations given to banks;
- credit obligations provided to clients;
- currency and bank metals to be received;
- currency and bankable metals receivable under contracts that are accounted for at fair value through profit/loss, calculated on a net basis (without delivery of the underlying asset);
- securities receivable under underwriting operations;
- assets receivable under contracts that are accounted for at fair value through profit/loss, calculated on a net basis (without delivery of the underlying asset);
- assets receivable.

The bank determines class 1 of the debtor/counterparty and the value of the PD coefficient equal to "0" for:

- lending obligations provided to clients (except for banks), which are revocable and risk-free, i.e. the terms of the contract state the Bank's unconditional right without prior notice to the debtor to unilaterally refuse the further fulfillment of the assumed obligations, including in case of deterioration of the debtor's financial condition and/or late fulfillment of his contractual obligations to the Bank;
- tax bill avals provided by the Bank;
- transactions with assets receivable on spot terms, forward, option and futures contracts under which the Bank has no obligation to prepay and has the right to withdraw from the obligation, including by offsetting counterclaims, as per contractual terms.

The bank takes into account the amount of credit risk for a given financial obligation, which is irrevocable, the exposure at risk (EAD), reduced by the amount of the remuneration received by the bank, and with the subsequent application of the credit conversion factor (CCF), which depends on the term of validity and type of financial obligation.

The bank determines the value of the debtor's probability of default on a given financial obligation depending on the type of debtor (debtor - legal entity, debtor - individual, debtor-bank, debtor - budgetary institution).

The Bank classifies a debtor in class 1 for a given financial obligation until the time of its fulfillment, if he is not subject to:

- signs indicating high credit risk of the debtor/counterparty;
- requirements regarding recognition by the Bank of the default of the debtor/counterparty.

4.3.7. Criteria for impairment of financial assets and determining the assessment of credit losses

4.3.7.1. Stages of decline in usefulness

IFRS 9 provides for a three-stage impairment model, which is based on changes in the credit quality of the instrument since initial recognition. According to this model, a financial instrument that is not credit-impaired at initial recognition is classified at **Stage 1**, and its credit risk is subject to further continuous monitoring. If there has been a significant increase in credit risk since initial recognition, the financial instrument is transferred to **Stage 2**, but it is not yet considered credit-impaired. If the financial instrument is credit-impaired, it moves to **Stage 3**.

For financial instruments that are in **Stage 1**, expected credit losses are measured as a portion of the lifetime ECLs that are expected to arise from default events occurring within the next 12 months. For instruments in Stage 2 or 3, the expected credit losses are measured based on the credit losses expected to arise from default events over the lifetime of the instrument.

According to IFRS 9, forecast information must be taken into account when calculating expected credit losses. Acquired or created credit-impaired financial assets are financial assets that are credit-impaired at the date of initial recognition. Expected credit losses for such instruments are always measured on a lifetime basis.

The Bank recognises an allowance for expected credit losses for debt financial assets carried at amortised cost and debt financial assets at fair value through other comprehensive income.

The Bank recognises a valuation allowance for a financial asset in **Stage 1** of impairment (expected credit losses within 12 months) no later than the closest reporting date after initial recognition of the financial asset. The closest reporting date for the purpose of establishing the allowance for expected credit losses on financial instruments is the last day of the month in which the financial instrument was recognised.

On the next reporting date after the initial recognition, the bank assesses the level of increase in the expected credit risk of the financial instrument from the date of its initial recognition.

The Bank continues to recognize the valuation reserve for a financial asset **at Stage 1** of impairment if, as of the reporting date, the level of risk for the financial asset has not significantly increased since the date of initial recognition of the asset or the financial asset has a low credit risk as of the reporting date.

The bank recognizes an assessment reserve for a financial asset **at Stage 2** of impairment (expected credit losses during the entire life of the financial asset) if, as of the reporting date, the level of risk has significantly increased since the date of initial recognition, the main amount of the debt repayment or a larger part of it falls on the final repayment date or for a period of more than a year, for individually significant assets that include active operations, the total amount of debt for which is UAH 2 000 000.00 or more, or equivalent in foreign currency, determined by the official

exchange rate established by the National Bank on the date the formation of reserves, or the 30 largest borrowers regardless of the amount of debt.

The Bank recognizes an assessment reserve for a financial asset *at Stage 3* impairment of credit risk (expected credit losses for the entire life of the financial asset) if, as of the reporting date, it has clear evidence of impairment of the financial asset, namely: available observational data that become known and lead to a loss, which in particular includes but is not limited to: financial condition corresponds to - 10/5/2 classes depending on the type of financial instrument; the application of lowering factors that lower the financial condition, depending on the type of financial instrument, to classes 10/5/2, which in particular provide for the presence of facts of debt overdue for more than 90 days and/or the presence of signs of default, etc.

In view of a need to form a sufficient number of historical observations, relevant over time and for similar financial assets, including under normal conditions of the economic environment, the Bank, within the limits of prudence, recognizes an estimation reserve for financial assets - credit operations , including for interbank loans and financial receivables with a maturity of more than three months, balances on nostro accounts, guarantee obligations at the second stage of impairment - expected credit losses throughout the life of the financial asset.

According to a simplified approach, the Bank recognizes expected credit losses throughout the life of the financial asset for trade receivables or assets under contracts that arise from transactions that fall within the scope of IFRS 15 “Revenue from contracts with customers” and which: do not include a significant component of financing in accordance with IFRS 15 or contain a significant component of financing in accordance with IFRS 15, the Bank chooses an estimate of the valuation reserve for expected losses in an amount equal to expected credit losses for the entire life of the financial asset and is applied by the Bank to financial receivables with a term of up to three months, accounts receivable for economic activity.

The Bank recognizes an assessment reserve for a financial asset *at Stage 3* impairment of credit risk (impaired financial assets due to events of default) if, as of the reporting date, it has clear evidence of impairment of the financial asset, namely: available observational data that become known and lead to a loss, which in particular includes but is not limited to: financial condition corresponds to - 10/5/2 classes depending on the type of financial instrument; the application of lowering factors that lower the financial condition, depending on the type of financial instrument, to classes 10/5/2, which in particular provide for the presence of facts of debt overdue for more than 90 days and/or the presence of signs of default, etc.

4.3.7.2 Purchased and created impaired financial assets

The Bank does not recognize a valuation allowance for acquired or created impaired financial assets at the date of initial recognition. Initial expected credit losses on such a financial asset are included in the effective interest rate adjusted for credit risk.

For such a financial asset, a transition from the third stage of impairment to the second or first is impossible.

4.3.7.3 Methods of calculating expected credit losses, determining criteria for a significant increase in credit risk

Credit risk is calculated in five stages:

- **Stage I** – analysis of the primary credit risk level;
- **Stage II** – analysis of active operation characteristics;
- **Stage III** – calculation of credit risk based on active operations (CR);
- **Stage IV** – calculation of the estimated reserve for expected credit losses for transactions with financial instruments (ECL);
- **Stage V** – approval of the estimated level of credit risk and estimated reserve for expected credit losses by the Credit Committee/Bank Board.

The Bank determines credit risk by assets in accordance with the principle of priority of substance of active operations carried out by the Bank over their form, which involves ensuring the completeness and adequate assessment of credit risk during the calculation of credit risk/formation of reserves for assets both on an individual and group basis.

Estimating allowances for expected credit losses for financial assets measured at amortized cost and at fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and debt servicing status.

The Bank applies methods (methods) of credit risk reduction that objectively, in compliance with the principle of prudence, ensure its minimization. In particular, there is objective evidence of existence (availability) of the security received; availability; market value estimates; insurance; control over the appropriateness of the condition, safety, disposal/replacement of collateral; possibility of alienation of collateral in favor of the bank.

In addition, Bank's own experience is taken into account when assessing credit risk by applying the judgement of the Bank's management/collegiate body in terms of:

- downward adjustment (downgrading) of the debtor/counterparty class;
- assessing the effect on the financial position of a legal entity debtor of risks resulting from its participation in a group of legal entities under common control and/or a group of related counterparties.

In order to ensure an adequate assessment of the asset, the Bank takes into account signs that indicate a high credit risk of the debtor/counterparty. The bank takes such characteristics into account by adjusting the class of the debtor/counterparty.

The bank determines the debtor/counterparty class no higher than 5 (for debtors - legal entities, except for banks, budgetary institutions and legal entities - debtors for a loan for an investment project)/3 (for other debtors) in the presence of the following signs:

- granting a loan to a debtor - non-resident legal entity whose rating has not been confirmed by any of the leading global rating agencies (companies), defined by the legislation of Ukraine and other internal documents of the Bank;
- functioning of the debtor - legal entity for less than one year from the date of state registration (does not apply in case of reorganization of the debtor; belonging of the debtor to a group; assessment of the debtor for a loan for an investment project);
- overdue debt for 31 calendar days or more [from the date of fulfillment of the obligation (payment) in accordance with the terms of the contract] for (does not apply if the debtor/counterparty belongs to a group):

- a bill of exchange;
- factoring operation;
- the debtor is a legal entity, including the issuer of securities (non-resident), does not have a credit rating on an international scale.

The bank determines the class of debtor/counterparty no higher than 9 (for debtors - legal entities, except for banks, budget institutions and legal entities - debtors for a loan for an investment project)/4 (for other debtors) in the presence of the following signs:

- using the loan granted to the debtor A to repay the loan of the debtor B, which was used by the debtor B to repay the loan of the debtor C;
- overdue debt for 61 calendar days or more [from the date of fulfillment of the obligation (payment) in accordance with the terms of the contract] for (does not apply if the debtor/counterparty belongs to a group):
 - a bill of exchange;
 - factoring operation;
 - debtor - legal entity has a negative value of capital at the end of the year for the last three years in a row (if the debtor belongs to a group, it is applied to the group);
 - placement of funds by the bank on a correspondent account in a non-resident counterparty bank with a credit rating on an international scale that is lower than "BB+" level according to the classification of the rating agency "Standard & Poor's" or "Fitch Ratings"/level "Ba1" according to the classification of the "Moody's Investors Service", the number of transactions (excluding accrual of income) for which during the three consecutive months preceding the date of assessment was less than two.

The bank determines the class of the debtor bank/counterparty no higher than 4 based on funds placed on correspondent accounts in other banks that are immobilized /encumbered.

4.3.7.4 Definition of default

Assessment of credit risk in relation to portfolio of assets involves further assessments of the probability of default, the corresponding loss ratios and correlations of default between counterparties. The bank calculates credit risk using probability of default (PD), debt at risk of default (EAD) and loss given default (LGD).

Loss given default (LGD) is a component (coefficient) of calculating credit risk, which reflects the level of losses due to default of the debtor/counterparty.

Probability of default (PD) is a component (coefficient) of calculating credit risk/expected credit losses, which reflects the probability that the debtor/counterparty will stop fulfilling its obligations

Expected credit losses (or estimated reserve ECL) is the weighted average value of credit losses determined using relevant probabilities of default events as weighting factors.

The definition of default used by the Bank is fully consistent with the definition of credit impairment, and default is recognized for a financial instrument if one or more of the criteria (events) are met.

The Bank recognizes the default of the debtor/counterparty and determines its class no higher than 10 (for debtors - legal entities) / 5 (for other debtors) upon occurrence of one or both of the following events:

- the debtor/counterparty (except for another bank) is overdue on debt to the Bank by more than 90 calendar days. The debtor bank/counterparty is late in repaying the debt/failed to fulfill the Bank's requirement for more than 30 calendar days;
- the debtor/counterparty is not able to ensure complete fulfillment of obligations to the Bank, its parent and subsidiary institutions, within the period established by the agreement(s) without the Bank applying the security foreclosure procedure (if any).

The Bank recognizes the event of default, specified in the above subparagraphs, as having occurred, in the presence of at least one of the following signs:

- the reserve formed by the Bank for impairment of the financial asset provided to the debtor amounts to 50 percent or more of the debt;
- changes made to the terms of the contract, including those related to debt restructuring (except debt restructuring, which was carried out in accordance with the requirements of the laws of Ukraine regarding financial restructuring or restructuring of obligations of Ukrainian citizens for loans in foreign currency, according to which the debtor fulfills the terms of the contract), provide for:
 - partial forgiveness of the debt and/or,
 - capitalization or replacement for another asset of accrued and unpaid interest for more than 90 consecutive calendar days;
- the debtor/counterparty declared bankruptcy;
- the debtor/counterparty was recognized as bankrupt/the procedure for liquidation (termination) of the legal entity was initiated in accordance with the procedure established by law/the debtor bank was classified as insolvent by the decision of the National Bank of Ukraine/the banking license was revoked;
- The bank initiated a bankruptcy case against the debtor/counterparty in accordance with the procedure established by the legislation of Ukraine;
- The bank made a decision to convert (transfer) part or all of the debt of the debtor/counterparty into the capital of the debtor/counterparty (with the exception of cases provided for by the law of Ukraine on financial restructuring);
- at least one of the credit ratings on the international scale of the debtor - legal entity has been lowered to level "D" according to the classification of the rating agency "Standard & Poor's" or "Fitch Ratings"/ to level "C" according to the classification of rating agency "Moody's Investors Service";
- repeated/subsequent exchange of an asset for another asset took place;
- changes were made to the terms of the contract, not related to restructuring, in terms of increasing the terms of use of the asset provided to the debtor who is unable to repay the debt without realizing the collateral, despite absence of a delay in repayment of the debt as of the date of the credit risk assessment. The extension of the term of validity of a separate tranche within the framework of the credit line opened by the Bank to the debtor is not an amendment to the terms of the contract regarding the extension of the terms of use of the asset;
- for one of the debtor's/counterparty's assets, the debt was written off at the expense of the formed reserve;
- one of the assets of the debtor/counterparty was sold at a loss of 20 percent or more of the debt;
- for one of the debtor's assets, which is the lessee, the Bank canceled the leasing contract in connection with the debtor's (lessee's) violation of the terms of the contract;

- sale by the Bank of an asset/assignment of the right of claim on the asset with a payment delay of more than seven calendar days, in accordance with the terms of the agreement on the sale of the asset/assignment of the right of claim (including taking into account the changes made to the agreement on the sale of the asset), which is accompanied by one or more from the following events:
 - on the date of credit risk assessment, the counterparty purchasing the asset paid the Bank less than 30 percent of its value/did not make any payment for the asset;
 - the counterparty pays for the asset in one payment at the end of the term of the contract for the sale of the asset or pays a larger share of the value of the asset closer to the end of the term of the contract for the sale of the asset;
- there is a debt overdue for more than 90 calendar days (from the date of fulfillment of the obligation (payment) in accordance with the terms of the contract) for:
 - a bill of exchange;
 - factoring operation;
- the debtor, which is an issuer of securities, according to the procedure provided for by the normative legal act of the National Securities and Stock Market Commission, is included in the list of issuers with signs of fictitiousness;
- there is a delay in repayment of the nominal value or interest for debt securities for more than seven calendar days;
- Bank has:
 - no financial statements of the debtor - legal entity for the last reporting period more than three months after the submission deadline, and/or
 - no decoding of the data of form No.2 (2-М, 2-МС) "Report on financial results" (columns 2000, 2010 and 2120) of the Accounting Regulations (standards) of the 1st or 25th annual financial statements of the debtor - a legal entity for the last reporting year regarding income structures;
 - the debtor's financial statements, according to which the Bank assessed the debtor's financial condition, do not meet the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" / the requirements of the legislation of the country where the non-resident debtor is located;
 - the financial statements provided by the debtor have a negative auditor's opinion/auditor's refusal to express an opinion;
 - the debtor took advantage of the possibility of changing the previous terms of his obligations under the terms of the loan agreement.

The bank recognizes the event of default as incurred, in the presence of at least one of the following signs, if the bank, on the basis of judgment, did not prove absence of default of the debtor/counterparty in the event:

- debt payments by the debtor (except debt for a loan for an investment project; a loan granted for production purposes with a seasonal or cyclical nature of production; a loan granted to a debtor who is a member of a group whose consolidated/combined reporting indicates the possibility of ensuring its financial sustainability) in the amount less than the amount of income recognized by the bank in accordance with the accounting regulations of the National Bank of Ukraine;
- making changes to the terms of the contract related to debt restructuring (except: debt restructuring, which was carried out in accordance with the requirements of the laws of Ukraine regarding financial restructuring or restructuring of the obligations of Ukrainian

citizens for loans in foreign currency, according to which the debtor fulfills the terms of the contract), which connected with the financial difficulties of the debtor, which have the following characteristics: the class of the debtor, determined by the Bank at the time of restructuring, is not higher than 8 (for debtors - legal entities, except for banks, budgetary institutions and legal entities - debtors for a loan for an investment project) / 4 (for other debtors), and/or at the time of the restructuring, the debtor was overdue for debt repayment by more than 30 calendar days;

- making changes to the terms of the contract, in absence of which the asset would be classified by the Bank as non-performing assets;
- a decrease in interest rate by more than 30 percent from the initial terms of the contract as a result of a change in the previous terms of the contract, not related to restructuring, not caused by a change in market conditions;
- if the debtor - legal entity, as of reporting date, does not have own/leased fixed assets or other property necessary for carrying out activities (production equipment, warehouses, vehicles, trade or office premises, etc.) that generates cash flows in the amount necessary for repayment credit;
- if the Bank does not have information on the final beneficial owners (controllers) of the debtor - legal entity;
- if the staff of the debtor - legal entity does not have personnel necessary to carry out operational activities;
- if there is no debtor - legal entity at the address specified by him;
- if the debtor has taken advantage of the possibility of changing the previous terms of the fulfillment of obligations provided for in the terms of the loan agreement to those that correspond to the characteristics specified in this paragraph.

The Bank makes a decision to terminate recognition of the debtor's/counterparty's default upon simultaneous fulfillment of the following conditions:

- the debtor/counterparty has resumed regular payments, i.e. for at least 180 consecutive calendar days from the day the Bank introduced measures aimed at restoring their ability to service the debt, provides monthly or within 365 days - quarterly repayment of the principal debt, or interest in an amount not less than the amount of accrued interest at the rate specified in the contract for the relevant period (month, quarter);
- at least 180 days have passed since elimination of event(s) on the basis of which the debtor's default was recognized;
- none of the debtor's/counterparty's obligations are overdue for more than 30 calendar days as of the date of decision to terminate recognition of debtor's/counterparty's default;
- The bank has a documented, substantiated opinion that the debtor/counterparty, despite existing financial difficulties, is able to service the debt.

In case of termination of recognition of default of the debtor/counterparty previously recognized by the Bank based on the occurrence of events of default determined, the Bank will not recognize such events as events of default again.

4.3.7.5 Criteria for transferring an asset from one stage of impairment to another due to a change in the level of credit risk

A financial asset that is not credit-impaired upon initial recognition is classified by the Bank at **Stage 1** and is constantly monitored, and in an event of significant increase in credit risk (due to the class and number of days overdue, etc) is transferred to Stage 2.

If the credit risk is reduced within 12 months from the initial recognition, the Bank may return the financial asset from **Stage 2** to **Stage 1**.

After 12 months from the initial recognition, the Bank leaves the financial asset in **Stage 2**, and in the event of a significant increase in credit risk, the financial asset moves to **Stage 3**.

A financial asset ceases to be considered in default (i.e. is recovered) if it no longer meets any default criteria for at least 3 consecutive months, or longer for restructured problem loans, and is determined based on an analysis that considers the likelihood of the financial instrument returning to default status after recovery and takes into account different definitions of recovery from default.

4.3.8. The procedure for taking into account forecast information when recognising expected credit losses, including macroeconomic information

To form observations, including historical ones, it is necessary to have a relevant period of observations of similar financial assets under normal economic conditions, sufficient diversification of the portfolio(s), both in total amount and by the number of debtors/counterparties and transactions with them.

If it is not possible to apply a sufficient level of historical observation, the Bank makes an assessment in accordance with the credit rating of the debtor/counterparty (financial condition/class) and the PD value determined on its basis - the probability of default (risk indicator) according to the assessment methods used by market participants for calculating the amount of credit risk defined by the Regulations taking into account the impact of macroeconomic factors determined by other internal bank regulatory documents or in the case of using external data sources, using methodological principles determined by contracts for the provision of services and/or access to a database/calculation tool).

4.3.9. Changes in significant assumptions and valuation techniques made during the reporting period, as well as the reasons for these changes

During 2022, there were no changes in the methods of evaluating financial instruments and significant assumptions.

4.3.10. Clarification of the policy on partial or full write-off of financial instruments, as well as recognition and derecognition of restructured loans (Derecognition of financial instruments)

Financial assets

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

- if the right to receive cash flows from a financial asset has expired;
- if the Bank transferred the rights to receive cash flows from such an asset, or if the Bank retained the rights to receive cash flows from the asset, but assumed a contractual

obligation to transfer them in full without significant delay to a third party under the terms of a "transit agreement";

- if the Bank has transferred substantially all the risks and benefits associated with the asset, or has not transferred and retained substantially all the risks and benefits associated with the asset, but has transferred control over this asset.

If the Bank transferred its rights to receive cash flows from the asset and at the same time did not transfer and did not retain practically all the risks and benefits associated with the asset, as well as did not transfer control over the asset, such asset continues to be reflected in the accounting within the limits of the Bank's further participation in this asset. Continuing involvement that takes the form of a guarantee over a transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of compensation that the Bank could be required to pay.

If further participation in the asset takes the form of a sold and/or purchased option (including options settled in cash on a net basis, or similar instruments) on the transferred asset, the amount of the Bank's further participation is the value of the transferred asset, which the Bank may buy back.

However, in the case of a sold "put" option (including options settled in cash on a net basis, or similar instruments) on an asset valued at fair value, the amount of the Bank's further participation is defined as the lower of two estimates: the fair value of the transferred asset or option exercise price.

Accordingly, the Bank carries out a partial or full write-off of the gross book value of the financial asset, which is evaluated at amortized cost, if it does not have reasonable expectations for their reimbursement.

Financial obligations.

Derecognition of a financial obligation occurs in the event of fulfillment, cancellation or expiration of the relevant obligation.

When one existing financial obligation is replaced by another obligation to the same creditor with insignificantly different conditions, or in case of significant changes to the terms of existing obligation, the original obligation is removed from the records, and the new one is reflected in the records with recognition of difference in carrying amount of obligations in the income statement.

4.3.11. Modification of contractual cash flows for financial assets

In case of revision of the contractual cash flows from the financial asset or their modification in another way, when revision or modification does not lead to recognition termination for such financial asset as per this Standard, the entity shall recalculate the gross book value of the financial asset and recognize *the profit or loss from modifications* in profit or loss.

The gross carrying amount of a financial asset is restated as the present value of the revised or modified contractual cash flows discounted at the original effective interest rate of the financial asset (or at the credit risk-adjusted effective interest rate for acquired or created credit-impaired financial assets) or, as appropriate, at the revised effective interest rate.

The book value of the modified financial asset is adjusted taking into account all costs or fees, and is amortized over the remaining maturity of the modified financial asset.

Modification is not carried out in the following cases:

- 1) when concluding additional agreements to contracts on revolving credit lines;
- 2) when concluding additional agreements under contracts with a floating interest rate;
- 3) when concluding additional agreements under which prolongation, accrued interest/commissions payment deferral and loan principal repayment on schedule occurs up to 3 calendar months inclusive.

4.3.12. Methodology for determining internal ratings and assessment of provision

Internal ratings (classes of debtors) are determined by the bank based on an assessment of the debtor's financial condition. The financial condition of debtors is determined using a logistic model, according to which the integral indicator is calculated for legal entity debtors, or point assessment for other debtors, and further adjustment of the determined class for signs of increased credit risk and signs of default, and with a simplified approach, according to which the number of days of accounting of the asset in the bank's balance sheet for economic receivables and the number of days overdue for financial receivables with a term of more than three months is estimated.

The assessment of collateral is carried out on the basis of reports on the market value of the property, which are carried out by independent assessment experts with further consideration of principles of acceptability and liquidity levels.

Note 4.4. Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets that can be freely converted into a known amount of cash on first demand and that have little risk of changes in value. Cash and cash equivalents are held to meet short-term obligations, but not for investment or any other purpose.

Cash and cash equivalents of the Bank include cash in the Bank's cash register, funds in the National Bank of Ukraine and funds in correspondent accounts in other banks.

Note 4.5. Mandatory reserves on accounts of the National Bank of Ukraine

As of the end of the reporting year 2022 and the previous year 2021, the Bank had no obligation to transfer funds from mandatory reserves to separate accounts opened at the National Bank of Ukraine.

Note 4.6. Loans and debts of Banks

The Bank carries out lending operations in accordance with the legislation of Ukraine, regulatory acts of the National Bank, the Bank's credit policy, and other internal documents regulating the Bank's credit activities.

Funds in other banks include short-term loans placed on the interbank market of Ukraine, for which the Bank recognizes impairment. The initial recognition and subsequent accounting of such loans is carried out in accordance with the same accounting principles as for loans granted to clients.

Note 4.7. Loans and debts of customers

The Bank carries out lending operations in accordance with the legislation of Ukraine, regulatory legal acts of the National Bank, the Bank's credit policy, and other internal documents regulating the Bank's credit activities.

Bank loan - any obligation to the Bank to provide a certain amount of money, any guarantee, any obligation to acquire the right to demand a debt, any extension of the debt repayment period, which is given in exchange for the debtor's obligation to return the amount owed, as well as the obligation to pay interest and other fees on such amount.

Credit operations include the Bank's active operations, which are related to providing clients with funds for temporary use (granting loans in cash or non-cash form, conducting factoring operations, repo operations, etc.) or accepting obligations to provide funds for temporary use (providing guarantees, sureties, etc.), any repayment of the debt, which is provided in exchange for the obligation of the debtor to return the owed amount, as well as for the obligation to pay interest and other fees on such amount.

Credit operations were carried out in accordance with the requirements of Ukrainian legislation and the Bank's internal documents on the basis of written contracts signed by authorized persons.

Decisions on granting loans and defining all essential terms of credit agreements were taken by collegial bodies (Credit Committee, Management Board, Supervisory Board of the Bank) in accordance with the powers established by the Bank's Charter and internal regulations governing the Bank's credit operations.

Classification and evaluation of the granted loans was carried out on the basis of the business model used to manage these assets and the characteristics of the cash flows provided for in the contract at amortized cost.

Amortized cost of a financial asset or financial liability is the amount at which a financial asset or financial liability is valued at the time of initial recognition, less funds received or paid (principal amount of the debt, interest income (expenses) or other payments related to associated with the initiation of a financial asset or financial liability), which is increased or decreased by the amount of accumulated depreciation, calculated using the effective interest rate, - the difference between the initially recognized amount and the maturity amount of the financial instrument, as well as, for financial assets, adjusted taking into account the valuation reserve under credit losses.

The business model was determined not for each given loan, but at the level of groups of financial assets.

Loans are assessed and recorded in accounting at amortized cost if the following conditions are simultaneously met:

- the financial asset is held within the framework of a business model, the purpose of which is to hold financial assets to obtain contractual cash flows;
- the contract provides for the receipt of cash flows on specified dates, which are exclusively payments at the expense of the principal amount and interest on the outstanding part of the principal amount.

Interest income on loans accounted for at amortized cost is recognized at the effective interest rate to the gross book value, with the exception of:

- purchased or created depreciated financial assets. For such financial assets, the effective interest rate, adjusted for credit risk, is applied to the amortized cost of the financial asset from the date of initial recognition;
- financial assets that were not acquired or created impaired financial assets, but subsequently became impaired financial assets. To such financial assets, the Bank must apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

If, as a result of certain events, a previously impaired financial asset has recovered and is no longer impaired, the Bank recognizes interest income at the effective interest rate to the gross book value of such asset, starting from the next interest accrual date.

The Bank recognizes interest income and expenses under interest income and expenses accounts for classes 6, 7 using the effective interest rate method.

For financial instruments with a floating interest rate, periodic revaluation of cash flows to reflect market interest rates leads to a change in the effective interest rate.

The bank amortizes the amount of the unamortized discount on the granted loans at least once a month simultaneously with the accrual of interest.

For financial instruments for which future cash flows cannot be determined (overdraft loans, revolving credit lines) and to which the effective interest rate is not applied, the Bank applies the nominal interest rate to recognize interest income.

As of the reporting date, the Bank performs an analysis of change in expected credit loss for the formation (dissolution) of the valuation reserve in accordance with the International Financial Reporting Standards, the Bank's internal documents and in the manner determined by the regulatory documents of the National Bank.

For credit operations (for example, factoring, factored promissory notes), under which funds are provided to one person - the borrower (counterparty), and debt repayment is carried out by another, analytical accounting is kept for the counterparty that repays the credit debt.

On the date of credit operation, namely on the day of any lending obligation at the Bank, the amount of the obligation is taken into account in the corresponding off-balance sheet account. If the loan is issued in full on the day the crediting obligation arises in the Bank, then the crediting obligation is not reflected on off-balance sheet accounts.

Loan funds provided are recorded on appropriate balance sheet accounts depending on type of borrower, type of operation, term and usage of funds. At the same time, with the reflection of the funds provided to the borrower on the relevant balance sheet accounts, the credit liability accounted for on the relevant off-balance sheet accounts is reduced by this amount.

The amount of debt not paid by the borrower within the period specified by the contract is transferred to relevant accounts on the next working day using separate parameters for accounting for overdue debt.

In order to repay the credit debt of individual borrowers and individual entrepreneurs for loans received in foreign currency, the Bank may purchase foreign currency for hryvnias received from borrowers to ensure that they fulfill payments under credit agreements.

Collegial bodies (Credit Committee, Management Board, Supervisory Board of the Bank) in accordance with the powers established by the Charter of JSC "BANK ALLIANCE", internal documents of the Bank regulating credit relations, in case of receipt of the borrower's application, may make a decision on extending the term of the loan (prolongation).

At each reporting date, the bank must recognize the results of changes in expected credit losses during the entire period of validity of a financial asset depreciated during initial recognition (including positive changes) as part of profits/losses as expenses/income for the formation/dissolution of valuation reserves. Income from liquidation of valuation reserves is recognized even if the value of the previously formed reserve for such a financial asset is exceeded.

On the date of derecognition of the original financial asset, the Bank recognizes income or expenses from derecognition equal to difference between the book value of the original financial asset and the fair value of a new financial asset.

The Bank stops recognizing a financial liability or its part in the balance sheet if such liability is repaid, canceled or the term of its performance has expired.

The Bank determines that terms are substantially different if the net present value of the cash flows under the new terms, discounted using the original effective interest rate (for a financial liability with a floating interest rate, the effective interest rate calculated at the last repricing) differs by at least 10% from the discounted present value of the remaining cash flows of the original financial liability.

Overdraft loan agreement.

When concluding an overdraft credit agreement with the client, the Bank credits him within the established limit by paying the client's settlement documents in excess of the balance of funds on his current account. At the same time, by the amount of the granted loan, the amount of lending obligations, which is accounted for in the corresponding off-balance sheet account, is reduced.

For clients with whom an overdraft agreement has been concluded, a special mode of operation of the current account is established, namely, a debit balance can be formed on the current account.

In the event of a breach of interest payment terms under the overdraft, the Bank transfers the interest accrued for the use of the overdraft to the account using separate parameters for accounting for overdue accrued interest on loans to current operations. As the terms of the overdraft agreement are breached (late payment of interest), the principal amount of the overdraft debt is transferred to the account for accounting for loans in current operations. In case of repayment of the overdue debt with accrued interest, the principal amount is transferred to the overdraft account.

If repayment of the principal amount of the overdraft is overdue, the debit balance of the overdraft account is transferred to the corresponding accounts using separate parameters for accounting for overdue loans in the current activity of the next business day after the overdue date.

If a customer's account is seized, the Bank transfers the overdraft debt and accrued interest to the respective accounts for current account loans and accrued interest.

Bad debt on credit transactions.

Loans receivable (excluding off-balance sheet transactions and guarantees) are recognised as uncollectible in accordance with the Tax Code of Ukraine and the Group's own regulations and methodologies developed in accordance with International Standards.

In accordance with the legislation of Ukraine, the Bank conducts the necessary claims and lawsuits in order to use all the possibilities of debt recovery for bad debts.

At any stage of execution of a court decision, a settlement agreement can be concluded - an agreement concluded by the parties with the aim of ending the dispute on the terms agreed by the parties (debtor and creditor). When a settlement agreement is signed for the purpose of "forgiveness"/debt write-off, the amount of such debt is written off at the expense of valuation reserves in accordance with the decision of the Bank's Management Board in agreement with the Bank's Supervisory Board at the request of the Credit Committee.

In case of recognition of debt on credit operations as hopeless, it can be written off at the expense of the Bank's valuation reserve. The decision to write off such debt is taken by Collegial bodies (Credit Committee, Management Board, Supervisory Board of the Bank) in accordance with

the powers established by the Charter of JSC "BANK ALLIANCE", internal documents of the Bank regulating credit operations.

At the time of recognizing the debt as bad, reserves must be formed in full. If a decision is made to write off bad debts in foreign currency, the Bank may purchase foreign currency on the interbank foreign exchange market of Ukraine in accordance with the regulations of the National Bank of Ukraine for the formation of the reserve.

In case of repayment of credit debt written off at the expense of valuation reserves and accounted for in the off-balance sheet accounts of group 961 "Debt written off as a loss on assets", the funds received shall be credited to the accounts of group 671 "Return of written off assets", if the debt was written off in previous years, or 770 "Deduction to reserves", if the debt is written off in the current year.

Funds received in foreign currency for the repayment of bad credit debts written off in previous years are transferred to 6th class accounts (through use of technical accounts 3800 and 3801) in their hryvnia equivalent at the official exchange rate of hryvnia to foreign currencies on the date of receipt of the specified funds.

If funds in foreign currency are received by the Bank in the current year to repay bad loan debt written off against an allowance account, the hryvnia equivalent of such funds at the official exchange rate of the hryvnia to foreign currencies at the date when the bad debt was written off against the allowance account is credited to accounts in group 770 "Charges to provisions". The difference between the hryvnia equivalent of the amount received at the official exchange rate of the hryvnia to foreign currencies at the date of receipt and the date when the debt was written off against the allowance is credited to account 6204 "Result from revaluation of foreign currencies and precious metals".

Receivables from operations with customers, banks and other entities consist of amounts due from the Bank's counterparties under transactions carried out within the scope of the licence obtained by the Bank and other transactions that do not contradict the requirements of the Ukrainian legislation.

Receivables from financial and business transactions of the Bank consist of amounts due from counterparties to the Bank on transactions with financial instruments and amounts due from business transactions of the Bank.

Accounts receivable is the sum of debts belonging to legal entities and individuals that arise in the course of relations with the Bank. Depending on the type of activity of the counterparty and the type of transaction, receivables are recorded on the corresponding balance sheet accounts of the 1st, 2nd and 3rd classes of the Chart of Accounts of Ukrainian banks.

A receivable is recognized as an asset if there is a probability of receiving future economic benefits and its amount can be reliably determined. At the time of initial recognition, the receivables are valued at the actually paid value (contract value). Subsequently, on each reporting date, the Bank reviews receivables for impairment by forming a reserve.

Accounts receivable are considered non-monetary items if they are settled not in cash but with supporting documents for assets or services received and are accounted for at the official exchange rate of hryvnia to foreign currencies at the date of recognition (date of transaction) or at the date of determination of fair value and are not revalued at each change in the official exchange rate of hryvnia to foreign currencies.

Accounts receivable is considered a monetary item on the balance sheet if it is subject to repayment within a specified period with cash in a fixed amount or its equivalents and is reflected in accounting at the official exchange rate of hryvnia to foreign currencies on the balance sheet date and is revalued during each change in the official exchange rate of the hryvnia to foreign currencies until the time of their recognition.

The Bank's units that initiate the operation resulting in receivables, monitor the state of this debt, carry out work on its repayment, are responsible for results of this work and the timeliness of all measures to repay the debt.

On a monthly basis, on the 1st day of the month following the reporting month, the Bank takes an inventory of receivables and makes provisions in accordance with the requirements of internal regulations and methods developed in accordance with the requirements of International Financial Reporting Standards. Provisions for receivables are accounted for on balance sheet accounts 1890 "Provisions for receivables from operations with banks"; 2890 "Provisions for receivables from operations with bank customers"; 3590 "Provisions for receivables from operations of the bank", 3599 "Provisions for financial receivables from operations of the bank".

Heads of units that keep records of receivables are responsible for timely and correct, in accordance with the provided primary documents, display of amounts of receivables on accounts and timely informing (by providing official memos) heads of units that initiated the occurrence of receivables about the occurrence overdue deadlines for performance of obligations specified in contracts, or overdue deadlines for operations established by the legislation of Ukraine, which are not carried out on contractual terms.

If the counterparty fails to meet the deadline for the delivery of goods, performance of work, or provision of services specified in the contract, the unit that initiated the debt must take all necessary measures to repay it.

After conducting a monthly inventory of receivables, the question of the formation of reserves due to non-repayment of receivables is submitted for consideration by the Bank's Credit Committee.

Receivables for which all possible measures have been taken to collect, as recommended by the Chief Accountant with the participation of the relevant departments, are written off the balance sheet by a decision of the Management Board.

Receivables for which legal action period has expired or the Bank has received a decision to liquidate the debtor (cancellation of state registration of a business entity) are written off the off-balance sheet on the basis of a decision of the Bank's Management Board.

Deferred costs are the Bank's costs incurred in the reporting period, but which belong to subsequent periods. These include, for example, expenses related to the payment of lease payments, membership fees, insurance of the Bank's property, subscriptions to newspapers and magazines, periodicals and reference publications, etc. All these expenses at the time of their implementation are reflected in the debit of "Expenses of future periods" account. The balance on the account can only be debit and will mean presence of undistributed expenses of the following periods.

Deferred expense items denominated in foreign currencies and related to performance of works or services are non-monetary items, are accounted for at the official exchange rate of hryvnia to foreign currencies at the date of settlement and are not revalued at each change in the official exchange rate of hryvnia to foreign currencies.

Note 4.8. Investments in financial instruments

Securities are documents that meet certain requirements and contain legally defined details. The characteristics of securities are their circulation, standardisation and serialisation, marketability, liquidity, regulation and recognition by the state.

Securities certify the right of ownership and determine the relationship between the person who issued them and their owner and provide for the payment of income in the form of dividends or interest, as well as the possibility of transferring monetary and other rights arising from these documents to other persons.

The rules outlined in this section apply to capital instruments that do not have all the features of securities, if the economic substance of the transactions is the same as the corresponding type of securities.

The Bank records operations for the purchase of securities and other financial assets, which are capital instruments, using an accounting method based on the settlement date.

The accounting of securities in the Bank is carried out in accordance with the current Instructions on the accounting of transactions with financial instruments in banks of Ukraine, internal regulations and methods of the Bank developed according to international standards of financial reporting.

Securities owned by the Bank are categorised for measurement and accounting purposes based on the business model used to manage the securities and their contractual (or issue) cash flow characteristics.

Financial investments are accounted for and evaluated on a per-investment basis by issuer/issuing entity.

After the initial recognition, the bank evaluates the debt financial asset based on the business model and the characteristics of the cash flows provided for in the contract, according to:

- amortized cost;
- fair value with recognition of revaluation in other comprehensive income;
- at fair value with recognition of revaluation through gains/losses.

The bank defines a business model at the level of groups of financial assets, which it manages in aggregate to achieve a certain business goal.

The chosen business model must be specified in the decision of the Bank's authority to purchase the relevant package of securities.

The Bank reclassifies debt financial assets only in the event of a change in the business model used to manage financial assets, with the exception of financial assets whose accounting is determined by the Bank at fair value with recognition of revaluation through gains/losses at the time of initial recognition.

The Bank evaluates and records debt securities at amortized cost if the following conditions are simultaneously met:

- the asset is held within the framework of a business model, the purpose of which is to hold financial assets to obtain contractual cash flows;

- the contract (issue conditions) provides for the receipt of cash flows on specified dates, which are exclusively payments on account of the principal amount and interest on the outstanding part of the principal amount.

The Bank evaluates and reflects in the accounting records debt securities at fair value with the recognition of revaluation in other comprehensive income, if the following conditions are met at the same time:

- the asset is held within the framework of a business model, the purpose of which is achieved both by obtaining contractual cash flows and by selling financial assets;
- the contract (issue conditions) provides for the receipt of cash flows on specified dates, which are exclusively payments on account of the principal amount and interest on the outstanding part of the principal amount.

The Bank recognizes interest income on debt securities [interest accrual, amortization of discount/premium] at the effective interest rate during the period from the date of their acquisition to the date of termination of recognition (sale, assignment of the right of claim, repayment, write-off against the reserve), reclassification.

The Bank recognizes interest income on debt securities accounted for at fair value with revaluation through profit/loss as part of the revaluation. Interest and amortization of discount or premium on such securities are not carried out.

When purchasing coupon securities with accrued interest, the Bank records them as premium/discount, with the amount of coupon received reducing the amount of premium or increasing the amount of discount.

Interest income on debt securities (except for securities accounted for at fair value with recognition of revaluation through profit/loss) is recognized on the date of their revaluation and necessarily on the balance sheet date, but not less than once a month. The amount of amortization of the discount or premium is calculated simultaneously with the calculation of interest.

The Bank amortises the discount (premium) on a financial instrument with a floating interest rate that changes with market interest rate fluctuations or, in the case of an offer, to the next interest rate repricing date.

The Bank, during the initial recognition of securities, reflects in accounting a profit or loss in the amount of difference between the fair value of the asset and the value of the contract in correspondence with discount/premium accounts, if the effective interest rate for this instrument is higher or lower than the market. The difference between the fair value and the value of the contract for transactions with the Bank's shareholders is reflected in the capital on Class 5 accounts and is included in parts to retained earnings (loss) during the period of its retention or the total amount during the disposal of securities.

The Bank recognizes a valuation reserve for expected credit losses for:

- securities valued at amortized cost;
- securities valued at fair value with recognition of revaluation in other comprehensive income;
- The Bank does not recognize the valuation reserve for capital instruments.
- The Bank stops recognizing securities if:

- the period of validity of the rights to cash flows determined by the terms of the contract (terms of issue) expires;
- the transfer of a financial asset meets the criteria for derecognition in accordance with the requirements of IFRS 9 and other norms provided for by law.
- there was a write-off at the expense of the reserve.

Note 4.9. Derivative financial instruments

Derivative financial instruments are financial instruments or other contracts that have the following characteristics:

- the value changes in response to changes in established interest rate, price of financial instrument, exchange rate or a similar financial variable;
- do not require an initial net investment or require an initial net investment significantly less than that which would be required for other types of contracts that have a similar response to changes in market factors;
- repayable at a future date.

After initial recognition, the Bank values derivatives at fair value.

All trading derivatives with a positive fair value are reported as assets. All derivative instruments intended for trading operations, the fair value of which has a negative value, are shown in statements as liabilities. Derivative financial instruments cannot be reclassified from the category of financial instruments at fair value, with revaluation reflected in profit or loss.

A loan granted (deposit placed) and a loan received (deposit raised) in the interbank market with the same counterparty, in different currencies, for equivalent amounts and with the same maturity are accounted for as derivative financial instruments.

Derivative financial instruments embedded in other financial instruments are separated from the main contract if their risks and economic characteristics are not closely related to the risks and economic characteristics of the main contract. The bank does not use hedge accounting.

Note 4.10. Contracts for the sale (purchase) of securities with an obligation to repurchase (sale)

Repo transactions with the Bank's clients are collateralised by securities and recorded as loans granted or received.

Securities purchased under the repo transaction are recorded in accounting as collateral received on the corresponding off-balance sheet accounts at the value specified in the contract.

Securities sold under a repo transaction are recorded in a separate analytical account of the corresponding securities accounting balance sheet. At the same time, they are reflected in the corresponding off-balance sheet account as collateral provided.

When carrying out repo operations, the Bank, as a buyer, receives a commission fee in form of interest or resale of securities at a higher price than when purchased (with a discount), therefore accounting of interest income from repo operations differs in form of receiving a fee.

The Bank's expenses in carrying out reverse repo operations are amortized during entire term of the contract. In case of open-ended repo operations, amortization term is determined by forecasting depending on the expected term of operation.

For credit operations (loans granted, guarantees, etc.) with amount of hryvnia equivalent of a fixed amount in foreign currency at the official exchange rate of the National Bank on the date of

fulfillment of obligations, the balance recorded in the accounts of loans granted, guarantees, etc. is settled at each change the official rate of the National Bank.

In event of change in the official rate of the National Bank, the amount of revaluation of the balances under granted loans is reflected in the balance sheet account 6204 "Result from revaluation of foreign currency and bank metals", under the guarantees provided - in the off-balance sheet account 9900 "Contra accounts for accounts of sections 90-95".

Note 4.11. Investments in associates and subsidiaries

In reporting and previous years, the Bank did not invest in associated and subsidiary companies.

Note 4.12. Investment Property

The Bank recognizes real estate as investment property if this real estate (land or building or part of a building, or a combination thereof) is held by the Bank for the purpose of receiving leasing (rental) payments or increasing the value of capital or for achieving both purposes, and not for the provision of services or administrative purposes.

Investment real estate is:

- land held for the purpose of obtaining benefits from capital growth in the long term, and not for realization in the short term in the course of activity;

- land, the further use of which has not been determined on a certain date;

- a building owned or obtained under a financial leasing (rental) agreement, which is leased (rented) under one or more operational leasing (rental) agreements. The object is recognized as an investment property if the area provided for leasing (rent) exceeds 50% of the total area of the building.

- a building that is not occupied at the moment, but is intended for leasing (rent) under one or several contracts on operational leasing (rent);

- real estate that is being built or improved for future use as an investment property.

The Bank evaluates and reflects it in the accounting records at original cost. The original cost of investment real estate includes the purchase price of this real estate and all costs directly related to its acquisition. Further recognition of investment real estate on the Bank's balance sheet is carried out at fair value.

The fair value assessment is carried out by the assessor. Changes in fair value of the investment real estate are reflected in accounting if deviation of fair value from the balance sheet is more than 10%.

Recognition of investment real estate in the Bank's balance sheet is terminated in the following cases:

- when the object is disposed of as a result of the sale;

- when transferring into a financial lease (leasing);

- upon liquidation;

- when included in the authorized capital;

- when transferring from investment real estate to owner-occupied real estate;

- if it is no longer expected to receive any economic benefits from its use.

The decision on classification of real estate as investment real estate or owner-occupied real estate (including in case of transfer from the category of investment real estate to owner-occupied real estate and vice versa, in process of operation) is made by a collegial body and drawn up in a corresponding protocol.

Expenses for current maintenance, repair and maintenance of an investment real estate are recognized as expenses during their implementation.

Capital investments for construction, development and reconstruction of investment real estate, which in the long term will be used as investment real estate, increase its value.

The Bank defines financial result from disposal of investment real estate as difference between proceeds from disposal of the object and its book value and recognizes them as other income/expenses of the Bank in the reporting period in which disposal or liquidation took place.

The bank acquired ownership rights to the property accounted for in the accounting accounts of investment real estate by exercising the rights of the mortgagee. Investment real estate is recorded at fair value.

Note 4.13. Goodwill

During the reporting and previous years, the Bank did not recognize and record goodwill.

Note 4.14. Fixed assets

According to IAS 16, *fixed assets* are tangible objects that are:

- held for use in production or supply of goods or services for rental or for administrative purposes;
- expected to be used for more than one period.

When determining the assets that belong to fixed assets, the Bank is guided by IAS 16 "Fixed Assets", the Instruction on Accounting for Fixed Assets and Intangible Assets of Banks of Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine No. 480 dated 20.12.2005 (as amended) and internal regulatory documents of the Bank. The unit of accounting for fixed assets is a separate inventory object of fixed assets. The Bank sets the value of items whose useful life exceeds one year and whose cost per unit or set is UAH 20 000 or more, taking into account the period of use of the object of fixed assets.

The Bank performs the initial recognition of fixed assets at cost (acquisition cost taking into account the costs associated with bringing the fixed assets to a state in which they are suitable for their intended use). Further recognition of fixed assets is carried out by the Bank at their original cost less accumulated depreciation and accumulated impairment losses.

At the end of each reporting period (year), the Bank determines the presence of signs of impairment of fixed assets in accordance with the requirements of IAS 36 "Impairment of Assets". If there are signs of impairment, the amount of expected recovery of the asset is calculated, which is defined as the largest between the fair value of the fixed asset less costs of sale and the value that should be received as a result of its use. The book value of an asset is reduced to the amount of its expected recovery if and only if the amount of the expected recovery of the asset is less than its book value. The carrying amount is reduced to the expected recoverable amount of the asset with an impairment loss reflected in profit/loss.

As of the end of the reporting years 2022 and the previous 2021, there were no signs of depreciation of fixed assets, the calculation of depreciation was not carried out.

At the end of each reporting year, during the annual inventory, the useful life of fixed assets is reviewed and adjusted if necessary. During the reporting year, the terms of useful use of fixed assets did not change.

Liquidation of fixed assets and other non-current assets is carried out in case of unfitness for further use, moral wear and/or physical wear and tear. Depreciation charged at the rate of 100% of the cost of non-current assets is not a basis for their write-off.

Note 4.15. Intangible assets

According to IAS 38, *an intangible asset* is a non-monetary asset that does not have a physical form and can be identified. An asset is identifiable if it is:

- separable, meaning that it can be split or separated from the entity and sold, transferred, licensed, leased or exchanged individually or together with the related contract, identifiable asset or liability, whether or not the entity intends to do so, or
- arises as a result of contractual or other legal rights, regardless of whether they can be transferred or separated from the business entity or from other rights and obligations.

The accounting of intangible assets is conducted in accordance with IAS 38 "Intangible Assets", the Instructions for Accounting of Fixed Assets and Intangible Assets of Banks of Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine No. 480 of 12.20.2005 (as amended) and the Bank's internal regulatory documents.

Purchased (manufactured) intangible assets are credited to the Bank's balance sheet at their original cost. The initial cost of an acquired intangible asset consists of the purchase price (cost) (excluding trade discounts), customs duties, non-refundable indirect taxes and other costs directly related to its acquisition and bringing it to a state suitable for use as intended.

Further recognition of intangible assets is carried out by the Bank at the original cost after deducting accumulated depreciation and accumulated impairment losses.

The useful life of intangible assets ranges from 5 to 10 years. The Bank has no intangible assets with an indefinite useful life.

At the end of each reporting year, during the annual inventory, the useful life of intangible assets is reviewed and adjusted if necessary. During the reporting and previous years, the useful life of intangible assets did not change.

At the end of each reporting period (year), the Bank determines the presence of signs of impairment of intangible assets in accordance with the requirements of IAS 36 "Impairment of Assets".

As of the end of the reporting year 2022 and the previous year 2021, there were no signs of impairment of intangible assets, the calculation of impairment was not carried out.

Note 4.16. Operational leasing (rent) under which the Bank is the lessor

In 2022, the Bank acted as a lessor under 5 sublease agreements. Income from these agreements was recognised on balance sheet account 6395.

Note 4.17. Financial leasing (rent) under which the Bank is the lessor

In 2022, the Bank did not provide financial leasing under which the Bank is the lessor.

Note 4.18. Operational leasing (lease), under which the Bank acts as lessor and/or lessee

A lease is a contract under which the lessor transfers to the lessee the right to use an asset for a specified period of time for a fee.

Leasing (rent), which does not involve the transfer of all risks and benefits associated with ownership of an asset, is classified as operational. Leasing conditions are determined by the leasing agreement concluded in accordance with the current legislation of Ukraine.

Lease payments made by the Bank as a lessee under operating leasing contracts are recognized as part of administrative expenses. If the lease agreement allows the lessee to make improvements to the leased object, the investments made by the lessee are recognized as non-current tangible assets and amortized during the term of the lease (rent) remaining after such investments.

Recognition of assets for the right to use under a long-term lease.

The Bank accounts for lease transactions in accordance with IFRS 16 "Leases", regulations of the National Bank of Ukraine and internal documents of the Bank on the accounting of fixed and intangible assets, except for transactions subject to the following conditions:

- the rental object is not identified;
- the leased property is of low value (assets with a value of \$5 000 or less when new);
- the lessor has a substantial right or opportunity to replace the leased object;
- the lessor can initiate termination of the lease without paying a fine or compensation;
- the bank does not receive economic benefits from the use and/or does not fully control the use of the leased object;
- the lease term is less than or equal to 12 months.

At the inception of leases in the current reporting period, the Bank applied the same approach as described above, namely, recognising the initial cost of the right-of-use asset in the amount of a recognised liability for the present value of lease payments, increased by the amount of advance payments made under the lease agreement and any incremental direct costs incurred by the Bank in negotiating the lease.

The Bank determines the lease term based on the non-cancellable term of the lease (residual term) and, accordingly, increases/decreases by the periods for which the option to extend or terminate the lease is provided, if it is reasonably certain that the Bank will exercise the option and extend or terminate the lease. In determining the lease term, the Bank applied judgement, taking into account the Bank's strategy for the purpose of retaining certain leased items, plans for opening and closing of the Bank's divisions, the Bank's practice in executing lease agreements and historical data on lease retention. The Bank limits the accounting for the option to extend the lease to no more than one term specified in the lease.

After the date of initial recognition of a leased asset, the Bank accounts for such assets according to the cost model, which is defined as the sum of the original cost of the asset less accumulated depreciation and any accumulated impairment losses. Depreciation of the right-of-use asset is recognized monthly during the lease period established by the contract.

For assets that are subject to simplification (exclusion) from IFRS 16, and accordingly are not recognized as right-of-use assets, the Bank accounts for incurred costs in the form of lease payments as lease costs, as before the change in IAS 17.

Recognition of long-term lease obligations.

The bank discounts payments for the right to use the asset during the lease term, applying the interest rate provided for in the lease agreement or the additional borrowing rate.

The interest discount rate, which is used to calculate the current value of liabilities, is calculated by the Bank quarterly on the basis of activity indicators for the last calendar month of the reporting quarter, based on the term for which the lease agreement is concluded:

- for lease contracts for a term of up to 24 months - the weighted average value of the Bank's paid liabilities is used as the discount rate (term deposits and demand funds of legal and physical clients; funds raised on the interbank market; issued savings certificates, etc.);
- for lease agreements, the term of which exceeds 24 months, the interest rate for the funds raised on the terms of subordinated debt is used, determined as the maximum allowable in accordance with the requirements of NBU Resolution No. 592 dated 30.12.2010.

The bank must also revalue the lease liability using an unchanged discount rate in the following cases:

- a change in the amounts expected to be paid under the liquidation value guarantee;
- a change in future lease payments due to a change in the index or rate used to determine such payments;
- temporary change of fixed rental payments, for example, in case of unforeseen events.

Note 4.19. Non-current assets held for sale and disposal groups

The Bank classifies non-current assets as held for sale if the carrying amount of such assets will be recovered through a sale transaction rather than current use.

Non-current assets are classified as held for sale if, on the date of decision to recognize them as assets held for sale, the following conditions are met: the condition of the assets makes it possible to carry out an immediate sale and there is a high degree of probability of their sale within a year from classification dates. The period for the sale of such assets may last longer than one year if there is evidence that the sale plan continues to be implemented, or the delay was caused by events or circumstances beyond the Bank's control.

Before initial classification of assets as held for sale, the bank evaluates the book value of assets applicable to this category of assets:

- if non-current assets are recorded at original cost, the Bank must review them for impairment;
- if non-current assets are accounted for at revalued value (fair value), the Bank must revalue them.

Non-current assets held by the Bank for sale are valued and recorded in accounting at the lower of two estimates: book value or fair value less costs to sell.

Depreciation is not accrued on non-current assets held for sale.

Transfer of assets to the category of held for sale is carried out in accordance with the decision of the Bank's Management Board at the request of the relevant division, which is responsible for purchase and sale of non-current assets. At the same time, a Sales Plan is drawn up, which defines the executor of the plan, the buyer or measures to determine it, a list of documents

(materials), the preparation of which is necessary for the sale. Prepared materials are submitted for consideration by the Bank's Management Board.

In April 2020, by Decision of the Bank's Management Board No. 26 dated 06.04.2020, 5 objects (3 buildings and 2 land plots) were classified as non-current assets held for sale and accounted for at cost.

In July 2022, by Decision of the Bank's Board No. 70 dated 26.07.2022, 2 objects (2 non-residential premises) were classified as non-current assets held for sale and accounted for at cost

Note 4.20. Amortization

Amortization is a systematic distribution of cost of fixed and intangible assets, which is amortized over the period of their useful use.

Amortization of fixed and intangible assets is carried out during their useful lives, which are established by the Bank at the time of their initial recognition and are reviewed at the end of each reporting year, during the annual inventory, and adjusted if necessary.

Amortization of fixed assets is calculated using a straightforward method based on the initial cost, liquidation value and useful life, according to which the annual amount of depreciation is determined by dividing the amortizable value by useful life of the object.

The following periods of useful use of fixed assets have been established:

Buildings, constructions	50 years
Vehicles	7 years
Furniture	5 years
Computer equipment	5 years
Machines and equipment (except computer equipment)	5 years
Tools, devices, inventory	5 years
Other fixed assets	12 years
Improvement of the rented premises	until the end of the lease term

Amortization of low-value non-current material assets is carried out in the amount of 100% of their value in the first month of use of the object. Useful life of intangible assets ranges from 5 to 10 years.

Note 4.21. Discontinued

The bank has no business that can be classified as discontinued operations.

Note 4.22. Raised funds

Raised funds consist of client funds, which represent non-derivative financial obligations to corporate clients and individuals.

Initial recognition of financial obligations for received from customers funds is carried out at fair value. The best support of fair value at initial recognition is the transaction price. A gain or loss on initial recognition is taken into account only if there is a difference between the transaction price and the fair value, which can be confirmed by existing current market transactions with the same instruments. Further evaluation of borrowed funds of clients is carried out at amortized cost.

Interest expenses on borrowed funds are shown according to the accrual method using the effective interest rate method (except for borrowed funds on demand).

Note 4.23. Other funds raised

A separate segment of clients are international financial organizations, with which the Bank plans to develop cooperation in a number of projects related to financing of both individual sectors (in particular, agricultural) and the economy of Ukraine as a whole. Thus, among the key projects, the joint projects of Ukraine and the European Investment Bank "Main loan for SMEs and companies with a medium level of capitalization" and "Main loan for the agricultural industry-Ukraine" should be highlighted. As per terms of the Projects, loan funds are directed through Ukrainian commercial banks to support development of the private sector of the economy, projects of small businesses and institutions with medium capitalization, as well as projects of socio-economic infrastructure, including projects on energy efficiency, climate change mitigation and adapting to them. Projects are implemented by the Ministry of Finance of Ukraine providing credit funds to selected participating banks for further financing by these banks of credit projects of their own clients. EIB loan funds can be directed by the Ministry of Finance for lending by commercial banks for medium- and long-term investment needs (up to 10 years) and medium-term working capital (from 2 years) of enterprises in the private, in particular, agricultural, sector of the economy of Ukraine.

Note 4.24. Debt securities issued by the Bank

During 2022, the Bank did not issue debt securities.

Note 4.25. Subordinated debt

In accordance with the Bank's Development Strategy, as part of increasing the level of sustainability by increasing the amount of regulatory capital, in 2021 the Bank raised funds on terms of subordinated debt in the amount of UAH 160 million. for a period of 12 years.

The Bank has received permission from the National Bank of Ukraine to include the funds raised on terms of subordinated debt in the Bank's capital.

Note 4.26. Income tax

The amount of current income tax is determined in accordance with the tax legislation of Ukraine. Income tax expense in the financial statements consists of current tax and changes in deferred tax amounts.

Income tax expenses are reflected in net income, excluding those amounts that are directly included in other comprehensive income.

Deferred tax amounts are calculated using a balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their book value for financial reporting purposes.

Deferred tax assets and liabilities are calculated according to the tax rate that will be in effect in the period in which the asset is realized or the liability is settled, based on the legal regulations in effect at the reporting date. Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the recognized deferred tax assets will be realized.

During 2022 the income tax rate was 18%.

Since in the reporting year JSC "BANK ALLIANCE" had no discontinued activity, the amount of income tax related to the profit (loss) from such activity was not determined in the reporting year.

Note 4.27. Authorized capital and emission differences

Ordinary shares are shown in the composition of capital. The Bank did not receive issue income. The Bank did not issue options and other financial instruments that give their holder a right to purchase ordinary shares.

Note 4.28. Preferred shares

The Bank did not issue preferred shares. The Bank did not enter into an agreement on the issue of shares, which depend on certain conditions.

Note 4.29. Treasury shares repurchased from shareholders

In the reporting and previous years, the Bank did not make a decision to buy back its own shares from shareholders.

Note 4.30. Dividends

In the reporting and previous years, dividends were not declared or paid by the Bank.

Note 4.31. Recognition of income and expenses

The Bank's income is an increase in economic benefits during the reporting period in form of income or an improvement in assets or a decrease in liabilities, the result of which is an increase in equity, (with an exception of increase related to participants' contributions). Income includes only gross receipts of economic benefits received or to be received by the Bank for its own account. Amounts received on behalf of third parties (such as sales tax, goods and services tax and value added tax) are not economic benefits accruing to the Bank and do not lead to an increase in equity. Therefore, they are excluded from income.

Bank expenses – reduction of economic benefits during the accounting period in form of disposal or depreciation of assets or in form of liabilities that lead to a decrease in equity (with an exception of decrease in capital as a result of its withdrawal or distribution by the owners), provided that these expenses can be reliably evaluated

In recognising income and expenses, the Bank follows the accrual basis of accounting, which means that income and expenses are recognised in the accounting and financial statements when they are incurred, regardless of the date of receipt or payment of funds.

Income (expenses) is recognized in accounting in the amount of fair value of assets received (paid) or to be received (paid).

Income and expenses are recognized in the period to which they belong, provided:

- recognition of actual indebtedness for the Bank's assets and liabilities;
- income and expenses can be reliably estimated and determined.

The criteria for recognition of income and expenses are applied separately to each transaction and are displayed for each type of income and expenses separately. Income and expenses arising as a result of operation are determined by the contract between its participants or documents drawn up in accordance with the requirements of the current legislation of Ukraine.

Costs of acquiring and creating an asset that cannot be recognized as an asset are recognized as expenses.

Commissions, which are an integral part of income (expenses) of the financial instrument, are recognized as part of interest income (expenses) on the financial instrument.

For financial instruments in foreign currency, income and expenses are calculated in the currency of the main asset (liability).

Income and expenses (accrued, received, paid) in foreign currency are reflected in income (expenditure) accounts in national currency at the official rates of hryvnia to foreign currencies on the date of their recognition.

Income and expenses, depending on accounting models of individual bank operations defined by the Bank's internal documents, are recorded either directly on the income (expense) accounts of the Chart of Accounts of the Banks of Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine, dated 11.09.2017, No. 89, as amended (hereinafter - Plan of accounts), or using transit accounts with subsequent reflection on income (expenditure) accounts. In an event that the Bank receives revenues (expenses incurred) for services that will be provided (received) in future reporting periods, these revenues (expenses) are not included in the financial result of the reporting period, but are taken into account as assets (liabilities) with a monthly recognition of the amount income and expenses related to the reporting period.

Income and expenses from operational activities are divided into:

- interest income and expenses,
- commission income and expenses;
- profits (losses) from trade operations;
- income in the form of dividends;
- expenses for the formation of special reserves of the Bank;
- income from the return of previously written-off assets;
- other operating income and expenses;
- general administrative expenses;
- income tax.

Based on results of investment activities, the Bank recognizes:

- income (expenses) from sale (purchase) of fixed and intangible assets;
- income (expenses) from sale (purchase) of investment real estate;
- income (expenses) from realization of investments in subsidiaries and associated companies, etc.

Based on results of operations related to financial activities, the Bank recognizes:

- income (expenses) from transactions with own debt securities;
- revenues (expenses) under subordinated debt;
- dividends paid during the reporting period;
- income arising from issuance of equity instruments, etc.

Recognition of interest income (expenses) on the accounts of interest income and expenses occurs using the effective interest rate method.

For financial instruments for which it is impossible to determine future cash flows (overdraft loans, revolving credit lines, deposits/deposits on demand) and to which the effective interest rate is not applied, the Bank applies the nominal interest rate to recognize interest income.

Amortization of discount (premium) on financial instruments is carried out simultaneously with the accrual of interest, except for interest on debt financial instruments, which are accounted for at fair value with recognition of revaluation due to gains/losses, which are determined as part of revaluation to fair value.

To calculate the effective interest rate, cash flows are determined taking into account all the terms of the contract for the financial instrument, including all commissions and other amounts paid or received by the parties, which are an integral part of the income (expenses) of the financial instrument. If it is impossible to reliably estimate the cash flows or the expected duration of the financial instrument, then the cash flows provided for in the relevant contract are used during the term of the contract.

Commissions, which are an integral part of the effective interest rate for a financial instrument, include:

- commissions for preparatory work received by the Bank in connection with the creation or acquisition of a financial asset, which include: commissions for assessing the borrower's financial condition; commissions for evaluation of guarantees, pledges; commissions for discussing the terms of the instrument; fees for preparation, processing of documents and completion of the transaction, etc.;
- commissions received (paid) by the bank for lending obligations (reserving a credit line) at the time of credit initiation (unless these lending obligations are valued at fair value with revaluation due to gains/losses) are recognized as non-deductible part of income (expenses) of the financial instrument, if there is a possibility that the credit agreement will be concluded. If the term of the given loan commitment expires without granting the loan, then at the end of the term, the commission obligations are recognized as commission income (expenses);
- other commissions, which are an integral part of the income (expenses) of the financial instrument.

Commissions that are not an integral part of the effective interest rate:

commissions for supporting loans:

- commissions for credit obligations (unless these credit obligations are valued at fair value with revaluation due to gains/losses), if the conclusion of a credit agreement is unlikely;
- loan syndication commissions received by a bank that acts as an organizer of a syndicated loan and is not one of the lenders (or is one of the lenders, but receives the same effective rate for its part of the syndicated loan as other participants, provided that it bears the same risks as other participants).

The bank takes into account initially expected credit losses in cash flows when calculating the credit risk-adjusted effective interest rate for acquired or created impaired financial assets at initial recognition.

If in the future the Bank revises preliminary estimates of the amounts of payments and receipts (excluding modifications and changes in estimates of expected credit losses) for financial

instruments, it must make adjustments to the gross book value of a financial asset or amortized cost of a financial liability to reflect the actual and revised preliminary estimated monetary flows

The bank recalculates the gross book value of a financial asset or the amortized cost of a financial liability by calculating the present value of future cash flows provided for in the contract, discounted at the original effective interest rate for the financial instrument (in case of purchased or created credit-impaired financial assets - using the effective interest rate adjusted for credit risk). The adjustment is recognized as part of interest income/expense in correspondence with discount/premium accounts.

The Bank recognizes interest income on financial assets at the first and second level of credit risk (recognized valuation allowance at the 1st and 2nd stages of impairment) on the gross book value of such assets using the original effective interest rate.

The Bank recognizes interest income on financial assets at the third level of impairment (recognized valuation reserve at the 3rd stage of impairment) at the amortized cost (reduced by the amount of the reserve) of such assets using the effective interest rate.

For loans granted under a non-revolving credit line, the effective rate is calculated for each individual loan (tranche) at the time of initial recognition of such loan (tranche) in accounting.

The discount (premium) for financial instruments is calculated in the currency in which the related financial instrument is recorded.

The following methods are used to calculate interest income and losses determining the number of days:

- "fact/fact" method - the actual number of days in the month and year is used for the calculation;
- the "fact/360" method - the actual number of days in a month is used for calculation, but it is assumed that there are 360 days in a year;
- the "30/360" method - the conventional number of days is used for the calculation, 30 in a month and 360 in a year.

Decisions on application of a calculation method for certain transactions are made by an authorized body of the Bank and recorded in contracts concluded with counterparties.

If necessary, the Bank may use other methods for individual financial instruments, other than the ones given, if they are defined by the contract between the participants of the transaction or the terms of issuance of these instruments (debt securities, certificates of deposit, treasury bills, etc.).

Accrual of interest income/expenses is carried out at least once a month for a full calendar month, unless another calculation period is provided by the terms of the agreement. Interest on credit operations in the national currency is calculated using the "fact/fact" method (for loans with repayment according to the classic scheme) and the "30/360" method (for loans with repayment according to the annuity scheme), unless otherwise stipulated by the terms of the contracts.

Interest on deposit transactions in national and foreign currency is calculated according to the "fact/fact" method (the actual number of days in the month and year is used for calculation), unless otherwise provided by the terms of the contracts.

In other cases, the method of determining the number of days in a month and a year is determined by the terms of the contracts between the parties.

When calculating interest for the use of the Client's funds under the bank deposit agreement, the Bank does not take into account the day of crediting of funds to the account and the day of transfer of funds from the account, unless otherwise stipulated by the terms of the bank deposit agreement.

When calculating interest on loans, the first day of granting the loan is taken into account and the last day of using the loan is not taken into account.

The amount of interest rates, conditions, procedure of their calculation and payment are determined by agreements with the Bank's counterparties. The amount of interest rates is established in accordance with the decision of the Assets and Liabilities Management Committee or another authorized collegial body (Credit Committee).

Debt for accrued income is considered overdue from the day following the deadline when such debt was due, but was not paid according to the terms of the contract.

Interest income accrued on the overdue amount of the principal debt is overdue, starting from the day of their accrual, it is recorded in the corresponding analytical accounts of the accrued interest income.

Dividends are recognized in the period of making a decision on their payment.

Criteria for termination of accrual of income and their subsequent accounting.

Termination of income accrual for a financial asset occurs when one of the following conditions occurs:

- expiration of the contract;
- the value of the loan (principal amount of the debt, accrued interest, unamortized premium (discount)), minus recognized impairment, has a zero value.

Accrual of income on balance accounts is terminated in cases provided for by the current legislation, and on the condition that the Bank has relevant documents, which testify to the occurrence of the following circumstances, in particular:

- termination of obligations under the contract in connection with liquidation of a legal entity
- loans and other obligations of legal entities were liquidated without applying the bankruptcy procedure;
- from the day the debtor is recognized as bankrupt and liquidation procedure is opened (according to the Law of Ukraine "On restoring the debtor's solvency or recognition as bankrupt") - for loans and other obligations of legal entities;
- from the day of the debtor-individual's death (a copy of the death certificate received, duly attested);
- from the date of the NBU's decision to revoke the banking license and appoint a bank liquidator (according to the Law of Ukraine "On Banks and Banking Activities") - for interbank loans;
- from the date of receipt of a court decision to terminate the loan agreement or recognize it as invalid;
- from the date of the beginning of the borrower's service in the area of the anti-terrorist

operation until the end of the special period by presidential decree.

The decision to stop accrual of income is made by the Credit Committee of the Bank.

Recognition of income and expenses paid or received as penalties / fines (penalties).

A penalty is a sum of money or other property that the debtor must hand over to creditor in case of breach of obligation by the debtor.

Unless otherwise stipulated by the contract, the amount of the fine is calculated as a percentage of the amount of the unfulfilled or improperly fulfilled obligation.

Interest is calculated as a percentage of the amount of the untimely fulfilled monetary obligation for each day of delay in performance, starting from the first day following the last day of payment of the debt in accordance with the terms of the contract. Unless otherwise stipulated by the contract, the amount of penalty is paid in the amount of twice the NBU accounting rate of the overdue amount for each day of overdue.

Penalty is calculated on the balance of the debt not repaid by the counterparty until the time of full repayment of the overdue debt by the borrower according to the fact/fact method, without taking into account the day of repayment of such debt. Penalty calculation is terminated in the following cases:

- termination of the contract in court or recognition of the contract as invalid (as of the date specified in the court decision), unless otherwise specified in the court decision;
- from the date of adoption by the commercial court of the resolution on declaring the debtor bankrupt and opening the liquidation procedure.

Fines are also not calculated:

- upon receipt of confirmed information on granting the borrower status of a temporarily displaced person (for the period of validity of the specified status) in accordance with the current legislation of Ukraine;
- from the date of commencement until the end of the borrower's special period and service in the area of the anti-terrorist operation (for the period of service) in accordance with the current legislation of Ukraine;
- from the date of death of the individual borrower.

Fines and interest are recognized upon the fact of their payment and are not reflected in the accounts of accrued income and expenses.

In case of filing lawsuits to recover the principal amount from the debtor arrears and interest, the Bank includes in this lawsuit the amount of fines, interest calculated on the date of filing the lawsuit, taking into account the statute of limitations established in accordance with terms of the contracts and/or in accordance with the current legislation.

In any case, the bank may refuse to collect a penalty from the borrower by a decision of a relevant authorized management body.

When accounting income and expenses, the Bank is guided by legislative acts of Ukraine, normative legal documents of the National Bank of Ukraine, in particular, the Rules of Accounting of Income and Expenses, approved by Resolution of the Board of the National Bank of Ukraine No. 17 dated 27.02.2018, IFRS, this Regulation on Accounting Policy and other internal documents of the Bank regulating the accounting of income and expenses.

Note 4.32. Revaluation of foreign currency

Functional and reporting currency is hryvnia.

The cost of assets and liabilities in foreign currencies are converted into hryvnia equivalent as follows:

- monetary items in foreign currency - using the official rate of the NBU at the end of the reporting period;
- non-monetary items valued at historical cost in foreign currency - using the official rate of the NBU on the date of the transaction;
- non-monetary items valued at fair value in foreign currency - using the official rate of the NBU on the date of determination of fair value.

Exchange rate differences arising from monetary items are recognized in the Statement of Profits and Losses (article "Result from revaluation of foreign currency") in the period in which they arise.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any currency component of that gain or loss is recognized directly in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognized in profit or loss, any currency component of that gain or loss is recognized in profit or loss.

Note 4.33. Offsetting of assets and liabilities

Financial assets and financial liabilities are offset on the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Bank intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In the reporting and previous years, the Bank did not offset assets and liabilities.

Note 4.34. Assets under trust management

In the reporting and previous years, the Bank did not have concluded trust management contracts.

Note 4.35. Accounting for the impact of inflation.

In the reporting and previous years, the Bank did not account for the impact of inflation.

Note 4.36. Employee benefits and related deductions

Bank employees receive basic salary, additional salary, other incentive and compensation payments.

The basic salary fund includes basic salaries of the Bank's employees - remuneration for work performed in accordance with the salary fixed in the staff list (position salary).

The fund of additional wages includes additional wages - remuneration for work above the established norms, for work successes:

- allowances and additional payments to official salaries in the amounts stipulated by current legislation for performance of duties of a temporarily absent employee;
- for combining professions (positions) - employees receive wages for the work actually performed (set by agreement of the parties, taking into account the content and/or volume of additional work);

- bonuses related to performance of official/production tasks and functions, which are paid in accordance with the procedure established by the Bank under special bonus systems;
- payment for unworked time - provision of annual basic and additional vacations,
- amounts of monetary compensation in case of non-use of annual leave, additional leave for employees who have children, in the amounts provided for by law.

Other incentive and compensatory payments include payments in the form of bonuses based on the results of work for the year, compensatory and other material payments that are not provided for by acts of current legislation or that are carried out in excess of the norms established by the specified acts. Payments are also made at the expense of state social insurance funds: temporary disability benefits and pregnancy and childbirth benefits.

Simultaneously with the payment of wages, deductions from wages and transfers of withheld taxes and contributions to the budget and relevant Funds are carried out.

Personal tax and military duty are withheld in accordance with the Tax Code of Ukraine No. 2755 dated 02.12.2010. The withholding of the single contribution is carried out in accordance with the Law of Ukraine of 07.08.2010 No. 2464-VI "On the Collection and Accounting of the Single Contribution to Mandatory State Social Insurance".

All deductions from wages, except for those established by current legislation, are made upon written application of the employee.

In accounting, the Bank creates provision for payment for holidays in accordance with the requirements of Ukrainian legislation and the Bank's accounting policy, which meets the requirements of IAS 19 "Payments to employees". Provision is also made for the amount of EUV accruals for vacation pay.

Note 4.37. Information on operating segments

An operating segment is a component of the Bank's business that participates in activities (from which it is possible to receive income and incur expenses), whose operating results are systematically reviewed by the management for decision-making in allocation of resources within the Bank and the evaluation of these results.

The principle of recognizing the Bank's operating segments consists in separating information about a part of the activity that is capable of bringing economic benefits and involves corresponding costs. Operating segments are recognized on the basis of the management reporting system.

The Bank recognizes the following operating segments:

- services to corporate clients - business entities of all forms of ownership (except banking institutions)
- services to individuals
- transactions with other banks
- investment banking - operations with securities.

The income of the reportable segment is income that is directly related to the segment and the corresponding part of the Bank's income that can be attributed to the segment from external activities or from operations between other segments. Expenses of the reporting segment are expenses related to the main activity of the segment, which are directly related to it, and the

corresponding part of expenses that can be reasonably attributed to the segment. Segment result is segment revenue minus segment expenses.

Note 4.38. Related Parties Information

In accordance with the requirements of Article 52 of the Law of Ukraine "On Banks and Banking Activities", the parties related to the Bank are:

- controllers of the Bank;
- persons who have a significant share in the Bank, and persons through whom these persons exercise indirect ownership of a significant share in the Bank;
- managers of the Bank, head of the internal audit service, managers and members of the Bank's committees;
- related and affiliated persons of the Bank, including members of the Banking Group;
- persons who have significant participation in related and affiliated parties of the Bank;
- heads of legal entities and heads of Banks who are related and affiliated parties of the Bank, head of the internal audit service, heads and members of committees of these persons;
- associates of natural persons specified in items 1 - 6;
- legal entities in which the natural persons specified in this part are managers or owners of significant participation;
- any person through whom a transaction is carried out in the interests of the persons specified in this part and who is influenced during such a transaction by the persons specified in this part through employment, civil and other relationships.

As of 31.12.2022, the number of the Bank's related parties was 222, including 28 legal entities and 194 individuals. Information on the management personnel belonging to the Bank's related parties is provided in the Management Report of BANK ALLIANCE JSC. Information on transactions with related parties is disclosed in Note 40 "Related party transactions".

When conducting transactions with persons related to the Bank, the Bank cannot provide for conditions that are not current market conditions. Transactions concluded by the Bank with persons related to the Bank on terms that are not current market conditions are considered invalid from the moment of their conclusion.

Note 4.39. Changes in accounting policy, accounting estimates, correction of material errors and their presentation in financial statements

Accounting policy is applied by the Bank to similar financial reporting items consistently. *A change in the accounting policy* is possible in two cases:

- if the new standard requires it;
- if the change would result in more reliable and/or relevant information about the effects of transactions, other events or conditions on financial position, financial performance or cash flows.

The change in accounting policy is applied retrospectively. Exclusion (prospective application) is possible only if transitional provisions of the new standard or interpretation require it. Retrospective application of accounting policy means application to previous (comparative)

periods of new principles, rules, standards of accounting and disclosure. Application of an accounting policy to operations, other events or conditions that differ in substance from those that occurred previously, did not occur previously, or were not significant is not considered a change in accounting policy.

A change in accounting estimate is an adjustment to the value of an asset or liability as a result of a revision of expected future benefits or liabilities. The assessment is subject to revision as a result of changes in the circumstances on which it was based, or receipt of new information. The change in the accounting estimate is carried out prospectively and does not affect the reporting indicators for previous periods. A change in accounting valuation is reflected by adjusting the book value of an asset or liability with the result reflected in the income statement for the reporting period.

In case of *detection of significant errors* of the previous period, the Bank corrects them by means of retrospective recalculation. The exception is cases when it is impossible to determine the impact of an error on a specific period or its cumulative impact (in such a case, the Bank restates the relevant asset, liability or equity item at the beginning of the earliest period for which retrospective restatement is permitted).

During the reporting year of 2022, there were facts of discovery of significant errors and no changes in the accounting policy and estimates.

Note 4.40. Significant accounting judgments and estimates, their impact on recognition of assets and liabilities

Preparation of financial statements requires the Bank's management to make judgments, estimates and assumptions that affect the application of accounting policy principles, the amounts of assets and liabilities, income and expenses reflected in the statements, and disclosure of information about potential assets and liabilities. Actual results may differ from these estimates. Estimates and assumptions on which they are based are regularly reviewed. The results of revisions to accounting estimates are recognized in the period in which they are made, as well as in all subsequent periods affected by such estimates.

Professional judgments and estimates that have the most significant impact on financial reporting indicators include:

- impairment of loans granted to borrowers and assessment of expected credit losses;
- impairment losses on other assets and estimation of expected losses.

Significant judgments required when applying accounting requirements for estimating expected credit losses are:

- assessment of criteria of a significant increase in credit risk;
- selection of appropriate models and assumptions for estimating expected credit losses;
- assessment of number and relative weight of forecast scenarios for each type of product / market and corresponding expected credit losses;
- identification of groups of similar financial assets for assessment of expected credit losses.

Note 5: New and revised standards that have not entered into force

In the current year, the Bank applied a number of amendments to IFRS and interpretations issued by the IASB Board, effective for the period of the year beginning on or after January 1, 2022:

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds from the sale of property, plant and equipment;
- amendments to IAS 37 "Onerous Contracts - Contract Performance Costs";
- Annual Improvements to IFRSs, 2018-2020;
- amendments to IFRS 3 References to Conceptual Frameworks.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

	<i>Effective date</i>
IFRS 17 "Insurance Contracts"	January 1, 2023 (postponed from January 1, 2021)
Amendments to IFRS 17 - "Extension of Temporary Exemption from the Application of IFRS 9" (Amendments to IFRS 4)	January 1, 2023
Amendments to IAS 1 - "Classification of liabilities as short-term or long-term"	Applied retrospectively for periods beginning on or after January 1, 2024
Amendments to IAS 1 and Provisions on the Practice of IFRS 2 - "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 - "Accounting Estimates"	January 1, 2023
Amendments to IAS 12 - "Deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023
Amendments to IFRS 16 – Lease Obligations and Sale-Leasebacks	January 1, 2024
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	Postponed indefinitely

Management does not expect that the adoption of the Standards listed above will have a significant impact on the Bank's financial statements in future periods.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

<i>In UAH '000</i>	31.12.2022	31.12.2021
Cash on hand	127 014	521 482
Funds in the National Bank of Ukraine (excl. mandatory reserves)	1 180	58 545
Funds on correspondent accounts in banks:	992 660	590 326
<i>Ukraine</i>	429 147	572 868
<i>Other countries</i>	563 513	17 458
Total cash and cash equivalents excluding reserves	1 120 854	1 170 353
Allowance for depreciation of funds on correspondent accounts in Ukrainian banks	(71 356)	(9 061)
Total cash and cash equivalents less reserves	1 049 498	1 161 292

As of the end of the reporting year 2022 and the previous year 2021, "Cash and cash equivalents" includes funds in the Bank's cash register and funds on correspondent accounts in other banks (including a correspondent account with the National Bank of Ukraine). During 2022 and the

previous year 2021, the Bank did not carry out investment and financial operations without the use of cash and their equivalents.

The data of Note 6 are indicated in the "Statement of Financial Position (Balance Sheet)", "Statement of Cash Flows" and in Note 25.

Note 7. Loans and debts of banks

Table 7.1. Loans and debts of banks, which are accounted for at amortized cost

<i>In UAH '000</i>	31.12.2022	31.12.2021
Loans granted to other banks	-	-
Deposits in other banks:	-	17 957
short term	-	17 957
long-term	-	-
Total loans and debts in banks	-	17 957
Reserve for loans and debts in banks	-	(575)
Total loans and debts in banks less reserves	-	17 382

Details of Note 7 are included in the "Statement of Financial Position (Balance Sheet)", "Statement of Cash Flows" and Note 25.

Table 7.2. Reserves for loan impairment under three-stage impairment model as of 31.12.2022

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Reserve for loans and debts in banks	-	-	-
In total	-	-	-

Table 7.3. Reserves for loan impairment under the three-stage impairment model as of 31.12.2021

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Reserve for loans and debts in banks	-	575	-
In total	-	575	-

Note 8. Loans and receivables from customers

Table 8.1. Loans and receivables from customers

<i>In UAH '000</i>	31.12.2022	31.12.2021
Loans granted to legal entities in current activity	5 082 048	4 186 268
Claims acquired under factoring operations	25 865	45 850
Loans granted under repo operations to business entities accounted for at amortized cost	213 551	-
Mortgage loans granted to business entities	3 801	6 166
Loans granted to individuals for current needs	13 608	12 945
Mortgage loans for individuals	68 427	70 229
Total loans	5 407 300	4 321 458
Loan impairment reserve	(947 915)	(456 070)
Total loans less reserves	4 459 385	3 865 388

The data of Note 8 are indicated in the "Statement of Financial Position (Balance Sheet)",

"Statement of Cash Flows" and in Note 25.

The total amount of Note 8 "Loans and receivables from customers" as at 01.01.2023 is presented net of posted guarantee coverage in the amount of UAH 60 637 000, including provision of UAH 2 995 000 (2021: UAH 43 704 000, including provision of UAH 2 164 000).

Table 8.2. Analysis of changes in reserves for loan debt in 2022

<i>In UAH '000</i>	Loans granted to legal entities	Loans granted to individuals	Total
Balance as of 31.12.2021	(426 678)	(29 392)	(456 070)
(Increase)/decrease in provision for impairment during the period	(504 158)	2 111	(502 047)
Loan write-off at the expense of the reserve	10 190	12	10 202
Balance as of 31.12.2022	(920 646)	(27 269)	(947 915)

Table 8.3. Analysis of changes in reserves for loan debt in 2021

<i>In UAH '000</i>	Loans granted to legal entities	Loans granted to individuals	Total
Balance as of 31.12.2020	(260 270)	(7 689)	(267 959)
(Increase)/decrease in provision for impairment during the period	(233 181)	(22 951)	(256 132)
Loan write-off at the expense of the reserve	66 773	1 248	68 021
Balance as of 31.12.2021	(426 678)	(29 392)	(456 070)

Table 8.4. Structure of loans by types of economic activity

(In UAH '000)

Type of economic activity	31.12.2022		31.12.2021	
	amount	%	amount	%
Wholesale trade, except trade in motor vehicles and motorcycles	2 216 708	40.99	1 938 510	44.86
Agriculture	1 283 143	23.73	698 341	16.16
Supply of electricity, gas, steam and air conditioning	616 429	11.40	481 918	11.15
Extraction of minerals and development of quarries	142 076	2.63	93 167	2.16
Food production	131 743	2.44	132 383	3.06
Production of machines and equipment	118 366	2.19	113 087	2.62
Air transport	117 573	2.17	-	-
Rent, rental and leasing	117 221	2.17	58 236	1.35
Warehousing and auxiliary activities in the field of transport	116 061	2.15	153 713	3.56
Provision of financial services	111 932	2.07	87 295	2.02
Construction of buildings, specialized construction works	74 457	1.38	112 226	2.60
Production of finished metal products, except for machines and equipment	62 287	1.15	50 472	1.17
Health care	59 692	1.10	75 794	1.75

Type of economic activity	31.12.2022		31.12.2021	
	amount	%	amount	%
Others	157 577	2.91	243 142	5.62
Individuals	82 035	1.52	83 174	1.92
Total loans and customer debts without reserves	5 407 300	100.00	4 321 458	100.00

The risk of credit portfolio concentration (concentration of credit operations in a certain industry or a group of interrelated industries or lending to certain categories of customers) is minimized by the Bank through diversification of the credit portfolio, by distribution of loans among borrowers who differ from each other in terms of characteristics (capital size, form of ownership), as well as according to the conditions of activity (industry of the economy, geographical region).

Table 8.5. Information on loans by type of collateral for 2022

<i>In UAH '000</i>	Loans granted to legal entities	Loans granted to individuals	Total
Unsecured loans	1 748 413	11 522	1 759 935
Loans secured by:	3 576 852	70 513	3 647 365
cash	368 221	-	368 221
real estate	968 700	68 541	1 037 241
<i>including residential purpose</i>	<i>99 234</i>	<i>57 961</i>	<i>157 195</i>
guarantees and sureties	55 228	107	55 335
other assets	2 184 703	1 865	2 186 568
Total loans and debts of customers	5 325 265	82 035	5 407 300

Table 8.6. Information on loans by type of collateral for 2021

<i>In UAH '000</i>	Loans granted to legal entities	Loans granted to individuals	Total
Unsecured loans	1 432 419	10 344	1 442 763
Loans secured by:	2 805 865	72 830	2 878 695
cash	385 199	-	385 199
real estate	838 061	70 979	909 040
<i>including residential purpose</i>	<i>107 685</i>	<i>61 824</i>	<i>169 509</i>
guarantees and sureties	174 587	274	174 861
other assets	1 408 018	1 577	1 409 595
Total loans and debts of customers	4 238 284	83 174	4 321 458

The Bank determines the market value of security in the form of a pledge of real estate, vehicles, objects in the form of a complete property complex, equipment, biological assets, property rights to real estate, products, goods, future crops, animal offspring, based on the assessment of such property, evaluation activity carried out by the subject (carried out at least once a year). In accordance with the requirements of internal regulatory documents, the market value of security in the form of cash deposits is accepted as their nominal value; of securities - the market value, which is determined by the division for work with securities as the current fair value of securities included in the stock exchange register for securities in circulation on stock exchanges. The bank determines the value of the collateral before concluding the credit agreement. If, since the date of the last evaluation, there have been significant changes in the operating and physical condition of the property that is the subject of a pledge, and/or the market condition of similar property, the Bank

carries out a reassessment of such property regardless of the terms of the loan agreement and/or the pledge agreement.

The Bank determines the expected cash flows from realization of the pledged security taking into account future cash flows consisting of the amount of expected payments from realization of the collateral in accordance with the relevant contract (regardless of probability of foreclosure on such collateral) taking into account the time required for the realization of the collateral.

The Bank carries out a preliminary assessment of future cash flows provided for in the contract, in the manner determined by the relevant internal bank regulation, developed in accordance with the requirements of international financial reporting standards. Pre-estimated future cash flows from the sale of collateral are reduced by the amount of costs for its sale.

The total amount of undiscounted future cash flows, including cash flows from the sale of collateral, cannot exceed the amount of payments stipulated in the credit agreement.

Future cash flows from the collateral are discounted taking into account the time required by the bank to realize the collateral.

Table 8.7. Analysis of credit quality of loans for 2022

<i>In UAH '000</i>	Loans granted to legal entities	Loans granted to individuals	Total
Unexpired and not depreciated:	3,119,011	31,725	3,150,736
borrowers with a credit history of more than two years	1,127,052	-	1,127,052
new large borrowers	436,032	-	436,032
borrowers with a credit history of up to two years	1,555,927	-	1,555,927
Overdue, but not depreciated:	1,327,159	105	1,327,264
with payment delay up to 31 days	565 130	105	565 235
with payment delay from 32 to 92 days	762 029	-	762 029
Impaired loans that are assessed on an individual basis:	879,095	50,205	929,300
with payment delay up to 31 days	293 174	19,968	313 142
with payment delay from 32 to 92 days	46,664	23,653	70,317
with payment delay from 93 to 183 days	326,078	47	326 125
with payment delay from 184 to 365 (366)	208,841	1 433	210,274
with a payment delay of more than 366 (367) days	4 338	5 104	9,442
Total loan amount before deducting reserves	5,325,265	82,035	5,407,300
Loan impairment reserve	(920,646)	(27,269)	(947 915)
Total loans less reserves	4,404,619	54,766	4,459,385

Table 8.8. Analysis of credit quality of loans for 2021

<i>In UAH '000</i>	Loans granted to legal entities	Loans granted to individuals	Total
Unexpired and not depreciated:	3 943 529	35 746	3 979 275
borrowers with a credit history of more than two years	988 533	-	988 533
borrowers with a credit history of up to two years	2 954 996	-	2 954 996
Overdue, but not depreciated:	27 882	1 317	29 199
with payment delay up to 31 days	22 188	35	22 223
with payment delay from 32 to 92 days	5 694	1 282	6 976
Impaired loans that are assessed on an individual basis:	266 873	46 111	312 984
with payment delay up to 31 days	68 451	41 397	109 848
with payment delay from 32 to 92 days	136 568	337	136 905
with payment delay from 93 to 183 days	48 706	-	48 706
with payment delay from 184 to 365 (366)	3 317	-	3 317
with a payment delay of more than 366 (367) days	9 831	4 377	14 208
Total loan amount before deducting reserves	4 238 284	83 174	4 321 458
Loan impairment reserve	(426 679)	(29 391)	(456 070)
Total loans less reserves	3 811 605	53 783	3 865 388

Table 8.9. Debt and provisions for loans under the three-stage impairment model as of 31.12.2022

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Loan debt	917 244	3 697 700	792 356
Loan impairment reserves	(25 834)	(301 919)	(620 162)
Total loans less reserves	891 410	3 395 781	172 194

Table 8.10. Debt and reserves for loans under the three-stage impairment model as of 31.12.2021

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Loan debt	2 062 890	1 955 095	303 473
Loan impairment reserves	(37 877)	(186 125)	(232 068)
Total loans less reserves	2 025 013	1 768 970	71 405

Note 9. Investments in financial instruments**Table 9.1.** Financial instruments accounted for at amortized cost

<i>In UAH '000</i>	31.12.2022	31.12.2021
Domestic state loan bonds of Ukraine	2 929 690	-
Debt securities - corporate bonds	27 348	27 348
Deposit certificates issued by the NBU	841 059	1 630 357
Reserve for impairment of financial instruments	(27 348)	(27 348)
Total financial instruments less reserves	3 770 749	1 630 357

Table 9.2. Financial instruments at fair value through profit or loss

<i>In UAH '000</i>	31.12.2022	31.12.2021
Domestic state loan bonds of Ukraine	256 023	4 533 088
Shares	119	-
Reserve for impairment of financial instruments	-	-
Total financial instruments less reserves	256 142	4 533 088

Table 9.3. Analysis of credit quality of financial instruments

<i>In UAH '000</i>	31.12.2022	31.12.2021
Individually assessed impaired debt securities	27 348	27 348
Reserve for impairment of financial instruments	(27 348)	(27 348)
Total depreciated financial instruments less reserves	-	-

Table 9.4. Reserves for impaired financial instruments under the three-stage impairment model as of 31.12.2022

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Indebtedness for debt securities	-	-	27 348
Reserves for debt securities	-	-	(27 348)
In total	-	-	-

Table 9.5. Reserves for impaired financial instruments under the three-stage impairment model as of 31.12.2021

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Indebtedness for debt securities	-	-	27 348
Reserves for debt securities	-	-	(27 348)
In total	-	-	-

During 2022 and the previous year 2021, the accounts for debt securities (in the portfolio of securities carried at amortised cost) included discount registered bonds (Series A) of NAVIUM LLC in the amount of 2 486 188 bonds with a nominal value of UAH 11.00 per bond. The Bank recognised an impairment of 100% of these securities.

On October 3, 2022, the Bank reclassified government bonds from the category of financial assets accounted at fair value with result of revaluation reflected in profit or loss to government bonds in the category of financial assets that are valued at amortized cost in accordance with the requirements of IFRS 39 in connection with a change in the business model in use to manage these financial assets. The total nominal value of reclassified Ukrainian domestic government bonds amounted to UAH 4 280 732 000 on the date of reclassification. As of December 31, 2022, the bank accounted for the bonds at amortized cost in the amount of UAH 2 929 690 000. The Bank received interest payments on the specified securities.

During the reporting period, the Bank accounted for Ukrainian domestic government bonds at fair value through profit or loss. The book value of the bonds as of December 31, 2022 was UAH 256 023 000. The Bank received interest payments on the specified securities.

The data of Note 9 are indicated in the "Statement of Financial Position (Balance Sheet)", "Statement of Cash Flows" and in Note 25.

Note 10. Derivative financial assets

Table 10.1. Derivative financial assets

<i>In UAH '000</i>	31.12.2022	31.12.2021
Assets under currency swap contracts	6 400	-
Total financial assets at fair value through profit or loss	6 400	-

The data of note 10 are indicated in the " Statement of financial position (Balance)" and in note 25.

Note 11. Fixed and intangible assets

Table 11.1. Fixed and intangible assets for 2022

(In UAH '000)

Line	Item	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other fixed assets and intangible current assets	Improvement of leased property	Unfinished capital investments in fixed and intangible assets	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10
1	Book value at the beginning of the reporting period, on 01.01.2022	26 805	2 853	842	2 553	19 780	122	15 284	68 239
1.1	<i>original (overvalued) value</i>	44 645	6 226	1 519	16 067	26 778	122	26 024	121 381
1.2	<i>depreciation at the beginning of the reporting period</i>	(17 840)	(3 373)	(677)	(13 514)	(6 998)	-	(10 740)	(53 142)
2	Receipts	11 877	4 087	-	3 613	1 903	28 611	6 533	56 624
3	Disposals	(65)	(2 354)	-	(51)	(122)	(28 014)	-	(30 606)
3.1	<i>original (overvalued) value</i>	(1 264)	(5 207)	(61)	(428)	(397)	(28 014)	-	(35 371)
3.2	<i>depreciation</i>	1 199	2 853	61	377	275	-	-	4 765
4	Amortization expenses	(7 987)	(482)	(255)	(3 549)	(9 523)	-	(4 049)	(25 845)
5	Book value at the end of the reporting period, on 31.12.2022	30 630	4 104	587	2 566	12 038	719	17 768	68 412
5.1	<i>original (overvalued) value</i>	55 258	5 106	1 458	19 252	28 284	719	32 557	142 634
5.2	<i>depreciation</i>	(24 628)	(1 002)	(871)	(16 686)	(16 246)	-	(14 789)	(74 222)

The Bank does not have any capital assets subject to restrictions on possession, use and disposal in the reporting period.

The bank has no fixed and intangible assets pledged as collateral. In the reporting period, the Bank had no created intangible assets. There are no intangible assets with ownership restrictions.

The original cost of fully amortized fixed assets amounted to UAH 8 171 000. (2021: UAH 9 113 000).

During 2022 and 2021, the Bank did not carry out revaluation of fixed and intangible assets.

The data of Note 11 are indicated in the "Statement of Financial Position (Balance Sheet)", "Statement of Cash Flows" and in Note 25.

Table 11.2. Fixed and intangible assets for 2021

(In UAH '000)

Line	Item	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other fixed assets and intangible current assets	Improvement of leased property	Unfinished capital investments in fixed and intangible assets	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10
1	Book value at the beginning of the reporting period, on 01.01.2021	16 112	3 853	457	1 920	1 571	111	13 796	37 820
1.1	<i>original (overvalued) value</i>	28 170	6 654	935	7 550	4 498	111	21 520	69 438
1.2	<i>depreciation at the beginning of the reporting period</i>	(12 058)	(2 801)	(478)	(5 630)	(2 927)	-	(7 724)	(31 618)
2	Receipts	16 475	-	592	8 526	22 868	52 978	4 504	105 943
3	Disposals	-	(158)	(1)	-	-	(52 967)	-	(53 126)
3.1	<i>original (overvalued) value</i>	-	(428)	(8)	(9)	(588)	(52 967)	-	(54 000)
3.2	<i>depreciation</i>	-	270	7	9	588	-	-	874
4	Amortization expenses	(5 782)	(842)	(206)	(7 893)	(4 659)	-	(3 016)	(22 398)
5	Book value at the end of the reporting period, on 31.12.2021	26 805	2 853	842	2 553	19 780	122	15 284	68 239
5.1	<i>original (overvalued) value</i>	44 645	6 226	1 519	16 067	26 778	122	26 024	121 381
5.2	<i>depreciation</i>	(17 840)	(3 373)	(677)	(13 514)	(6 998)	-	(10 740)	(53 142)

Note 12. Investment real estate

The Bank recognizes real estate as investment property if this real estate (land or building or part of a building, or a combination thereof) is held by the Bank for the purpose of receiving leasing (rental) payments or increasing the value of capital or for achieving both purposes, and not for the provision of services or administrative purposes.

Investment real estate is:

- land held for the purpose of obtaining benefits from capital growth in the long term, and not for realization in the short term in the course of activity;
- land, the further use of which has not been determined on a certain date;
- a building owned or obtained under a financial leasing (rental) agreement, which is leased (rented) under one or more operational leasing (rental) agreements. The object is recognized as an investment property if the area provided for leasing (rent) exceeds 50% of the total area of the building.
- a building that is not occupied at the moment, but is intended for leasing (rent) under one or several contracts on operational leasing (rent);
- real estate that is being built or improved for future use as an investment property.

Initial recognition of investment real estate.

The Bank evaluates and reflects it in accounting records at the original cost. The original cost of investment real estate includes the purchase price of this real estate and all costs directly related to its acquisition. Further recognition of investment real estate on the Bank's balance sheet is carried out at fair value.

Fair value assessment is carried out by an agent of assessment activity. Changes in fair value of an investment real estate are reflected in accounting if deviation of the fair value from the balance sheet is more than 10%.

Recognition of investment real estate in the Bank's balance sheet is terminated in the following cases:

- when the object is disposed of as a result of the sale;
- when transferring into a financial lease (leasing);
- upon liquidation;
- when included in the authorized capital;
- upon transfer from investment real estate to owner-occupied real estate;
- if it is no longer expected to receive any economic benefits from its use.

Decision on classification of real estate as investment or owner-occupied real estate (including in case of transfer from the category of investment real estate to owner-occupied real estate and vice versa, in process of operation) is made by a collegial body and drawn up in a corresponding protocol.

Expenses for repair and maintenance of investment real estate are recognized as expenses during their implementation.

Capital investments for construction, development or reconstruction of investment real estate, which in the long term will be used as investment real estate, increase its value.

The Bank defines financial result from disposal of an investment property as difference between proceeds from disposal of an investment property and its carrying amount and recognises it as other income/expense of the Bank in the reporting period in which the disposal or liquidation occurs.

In 2022, the Bank acquired ownership rights to property recorded in the investment real estate accounting accounts by exercising the rights of the mortgagee. Investment real estate is recorded at fair value.

Fair value of investment real estate is determined based on the opinion of an independent appraiser who has appropriate qualifications and experience in evaluating similar real estate in Ukraine.

During determination of fair value of investment real estate by an independent appraiser, the norms of Article 60 of the National Standard No. 1 "General Principles of Valuation of Property and Property Rights" are used

In 2022, real estate was added to the balance sheet as a result of the foreclosure of collateral under the loan.

In December 2022, by the Decision of the Bank's Management Board No. 113 dated 28.12.2022, 6 properties (4 non-residential premises and 2 apartments) were classified as investment property and accounted for at fair value. As of 31.12.2022, there were no lease agreements for them.

As of December 31, 2022, fair value of the investment real estate is UAH 106 772 000.

The data of Note 12 are indicated in the "Statement of Financial Position (Balance Sheet)" and in Note 25.

Note 13. Right-of-use assets

Table 13.1. Right-of-use assets

<i>In UAH '000</i>	31.12.2022	31.12.2021
Book value on January 1	63 437	25 638
Receipt and modification	14 139	70 241
Disposal	(3 141)	-
Depreciation and amortisation	(28 243)	(32 442)
Total right-of-use assets at the end of the reporting period	46 192	63 437

The data of Note 13 are indicated in the "Statement of Financial Position (Balance Sheet)" and in Note 25.

Note 14. Non-current assets held for sale and disposal group assets

Table 14.1. Non-current assets held for sale and assets of disposal groups

<i>In UAH '000</i>	31.12.2022	31.12.2021
Non-residential real estate	74 284	49 674
Land	17 865	17 865
Total non-current assets held for sale and assets of disposal groups	92 149	67 539

As of 31.12.2022, the Bank accounts for non-current assets held for sale as collateral transferred to the Bank's balance sheet as compensation for the loan debt, namely: buildings of the sanatorium complex, land plots and other non-residential real estate. Upon acceptance on the balance sheet, the

Bank assessed them and recorded them at the lower of the carrying amount of the debtor's loan or fair value less costs to sell.

As per the requirements of the Resolution of the National Bank of Ukraine dated 18.07.2019 No. 97 "On Approval of the Regulation on Organisation of the Process of Management of Distressed Assets in Banks of Ukraine", the Bank has appointed a responsible unit for the management of repossessed property (property held for sale) in order to effectively organise the management of property held for sale.

In addition, the Bank's Management Board approved the Plan for the sale of property held for sale, developed by the TROUBLED ASSETS MANAGEMENT WORKING GROUP of BANK ALLIANCE JSC, which is updated on a regular basis.

As of December 31, 2022, the Bank has no assets for disposal and no liabilities belonging to the assets of the disposal group.

During 2022, the Bank had no sold assets and liabilities of the disposal group and no amounts received during their sale.

During 2022, the bank was not terminating operations.

The data of Note 14 are indicated in "Statement of Financial Position (Balance Sheet)" and in Note 25.

Table 14.2. Non-current assets held for sale

No	Up-to-date information about the property	
1. Building, dormitory building of "Geneva" sanatorium		
1.1.	Address	63, Sukhovolya St., Truskavets, Lviv region
1.2.	Total area	2 451,8 square meters
1.3.	Rating	Evaluation report dated 25.03.2020 by the Expert Company LLC "PROFESSIONAL"
1.4.	Valuation as per the report (UAH '000)	7 665
1.5.	Book value (UAH '000)	7 665
2. Hotel-type building No. 4 (letter A No. 7)		
2.1.	Address	65, Sukhovolya St., Truskavets, Lviv region
2.2.	Total area	6 208,2 square meters
2.3.	Rating	Evaluation report dated 25.03.2020 by the Expert Company LLC "PROFESSIONAL"
2.4.	Valuation as per the report (UAH '000)	19 409
2.5.	Book value (UAH '000)	19 409
3. Building, non-residential building "SPA-Wellnes", swimming pool centre, letter B		
3.1.	Address	63-B, Sukhovolya St., Truskavets, Lviv region
3.2.	Total area	7 228,6 square meters
3.3.	Rating	Evaluation report dated 25.03.2020 by the Expert Company LLC "PROFESSIONAL"
3.4.	Valuation as per the report (UAH '000)	22 600
3.5.	Book value (UAH '000)	22 600
4. A plot of land for construction and maintenance of sanatorium health facilities		
4.1	Address	63, Sukhovolya St., Truskavets, Lviv region

4.2.	Total area	0,0934 ha
4.3.	Rating	Evaluation report dated 25.03.2020 by the Expert Company LLC "PROFESSIONAL"
4.4.	Valuation as per the report (UAH '000)	1 167
4.5.	Book value (UAH '000)	1 167
5. A plot of land for construction and maintenance of sanatorium health facilities		
5.1.	Address	63, Sukhovolya St., Truskavets, Lviv region
5.2.	Total area	2,1472 ha
5.3.	Rating	Evaluation report dated 25.03.2020 by the Expert Company LLC "PROFESSIONAL"
5.4.	Valuation as per the report (UAH '000)	16 698
5.5.	Book value (UAH '000)	16 698
6. Non-residential premises		
6.1.	Address	59, Zvirynetska St., Kyiv, premise 245
6.2.	Total area	84,2 square meters
6.3.	Rating	Valuation report dated 22.07.2022 by Forward PE
6.4.	Valuation as per the report (UAH '000)	6 286
6.5.	Book value (UAH '000)	6 275
7. Non-residential premises		
7.1.	Address	59 Zvirynetska St., Kyiv, in "A" from No. 1 to 6, terrace (group of premises No. 249) - office.
7.2.	Total area	326 square meters
7.3.	Rating	Valuation report dated 22.07.2022 by Forward PE
7.4.	Valuation as per the report (UAH '000)	18 369
7.5.	Book value (UAH '000)	18 335

Note 15. Other assets

Table 15.1. Other assets

<i>In UAH '000</i>	31.12.2022	31.12.2021
<i>Other financial assets</i>		
Amounts of positive revaluation under spot contracts on the foreign exchange market	85 884	3 651
Accounts receivable for transactions with financial instruments	55 611	12 987
Accounts receivable for operations with bank clients	10 250	6 723
Accrued unreceived commissions for guarantees provided by the Bank	6 364	7 390
Funds placed in other banks as collateral	3 667	111
Settlements with international transfer systems	398	1 970
Accumulated unreceived income for billing and cash service	458	96
Provision for impairment of other financial assets	(19 331)	(19 694)
All other financial assets	143 301	13 234
<i>Other non-financial assets</i>		
Expenses of future periods	16 094	12 658
Receivables from the bank's business activities	7 903	8 078
Precious metals in branches	346	2 338
Other non-financial assets	193	142
Provision for impairment of other non-financial assets	(7 328)	(6 673)
All other non-financial assets	17 208	16 543
All other assets	160 509	29 777

During the reporting and previous periods, the Bank did not have concluded agreements on providing assets for financial leasing (rent), under which the Bank is the lessor.

The data of Note 15 are indicated in "Statement of Financial Position (Balance Sheet)" and in Note 25.

As of December 31, 2022, the balance sheet of JSC "BANK ALLIANCE" records the debt under the agreement with PJSC "Transcapitalbank" in accounts receivable and payable.

The balance of debt on account 3540 "Receivables from the purchase and sale of foreign currency and bank metals at the bank's expense" as of 31.12.2022 is UAH 85 344 000.

The balance of debt on account 3640 "Payables from the purchase and sale of foreign currency and bank metals at the bank's expense" as of 31.12.2022 amounts to UAH 77 971 000.

This debt arose due to the fact that the Bank and PJSC "Transcapitalbank" entered into forex and forex swap agreements with the value date of 24.02.2022. Due to the prohibition of expenditure transactions in Russian rubles and with Russian companies, in accordance with the Resolution of the National Bank of Ukraine dated 24 February 2022 No. 18 "On the operation of the banking system during the period of martial law", the Bank continues to account for this transaction under counterclaims in the accounting records on balance sheet accounts 3540 "Receivables from purchase and sale of foreign currency and precious metals at the expense of the bank" - liability to receive Russian rubles, and 3640 "Payables from the sale of foreign currency and precious metals at the expense of the bank" - liability to receive US dollars. Settlements between the parties to the transaction were made unilaterally by the other party to the transaction.

The suspension of recognition of receivables and payables for the above-mentioned operation and, accordingly, closing of the forex transactions, can be carried out only on the condition that conduct of such operation does not contradict the requirements of the legislation of Ukraine, namely the requirements of the Resolution of the National Bank of Ukraine of February 24, 2022 No. 18 "On the operation of the banking system during the period of martial law".

The management staff of the Bank believes that since the accounting for the termination of the recognition of receivables and payables for the above operation and, accordingly, the closing of forex transactions is regulated by the Resolution of the National Bank of Ukraine dated February 24, 2022 No. 18 "On the operation of the banking system during the period of martial law", then it is not possible to avoid it when preparing these financial statements.

Table 15.2. Analysis of changes in the reserve for impairment of other assets

<i>In UAH '000</i>	Reserves for accrued income	Reserves for funds placed with other banks as collateral	Accounts receivable for operations with bank clients	Debt from the bank's business activities	Total
Balance as of 31.12.2020	(5 140)	(50)	-	(6 996)	(12 186)
(Increase)/decrease in reserves	(13 570)	48	(985)	323	(14 184)
Write-off of assets against reserves	3	-	-	-	3
Balance as of 31.12.2021	(18 707)	(2)	(985)	(6 673)	(26 367)
(Increase)/decrease in reserves	(375)	(48)	786	(655)	(292)
Write-off of assets against reserves	-	-	-	-	-
Balance as of 31.12.2022	(19 082)	(50)	(199)	(7 328)	(26 659)

Note 16. Due to banks

Table 16.1. Due to banks

<i>In UAH '000</i>	31.12.2022	31.12.2021
	2	1
Correspondent accounts	-	58
Loans received from the National Bank of Ukraine through refinancing	2 100 000	2 100 000
Total due to banks	2 100 000	2 100 058

During the reporting and previous periods, there were no facts of non-fulfillment of obligations by the Bank regarding the principal amount of the debt and interest on it.

As of December 31, 2022, the value of securities that are collateral for refinancing loans of the National Bank of Ukraine is UAH 2 218 977 000 (December 31, 2021: UAH 2 829 980 000).

The data of Note 16 are indicated in "Statement of Financial Position (Balance Sheet)" and in Note 25.

Note 17. Customer funds

Table 17.1. Customer funds

<i>In UAH '000</i>	31.12.2022	31.12.2021
Entities:	3 527 619	5 923 356
current accounts	2 643 331	4 213 006
term funds	884 288	1 710 350
Individuals:	2 329 525	1 773 955
current accounts	368 833	304 339
term funds	1 960 692	1 469 616
Total customer funds	5 857 144	7 697 311

The data of note 17 are indicated in "Statement of financial position (Balance sheet)" and in note 25.

Table 17.2. Distribution of client funds by types of economic activity

Type of economic activity (<i>In UAH '000</i>)	31.12.2022		31.12.2021	
	amount	%	amount	%
Individuals	2 329 525	39.77	1 773 955	23.05
Wholesale and retail trade, except motor vehicles	1 018 179	17.38	1 723 416	22.39
Production of other vehicles	380 376	6.50	54 569	0.71
Supply of electricity, gas, steam and air conditioning	296 457	5.06	1 083 314	14.07
Provision of financial services, except for insurance and pension provision	215 669	3.68	453 281	5.89
Construction, construction works	211 656	3.61	363 958	4.73
Metallurgy	179 210	3.06	207 431	2.69
Agriculture	129 658	2.21	136 777	1.78
Production of machines and equipment and other vehicles	102 296	1.75	292 804	3.80
Mining and quarrying	91 204	1.56	135 355	1.76
Warehousing and activities in the field of transport	76 702	1.31	133 785	1.74
Food production	65 248	1.11	15 943	0.20

Type of economic activity (In UAH '000)	31.12.2022		31.12.2021	
	amount	%	amount	%
Production of chemicals and chemical products	60 570	1.03	35 288	0.46
Health care	43 385	0.74	1 424	0.02
Wholesale and retail trade in vehicles	43 365	0.74	2 920	0.04
Insurance, reinsurance and non-state pension provision	36 479	0.62	118 450	1.54
Activities in the fields of architecture and engineering	34 722	0.59	71 615	0.93
Land and pipeline transport	32 655	0.56	74 298	0.97
Production of finished metal products	30 404	0.52	30 630	0.40
Air transport	30 124	0.52	21 574	0.28
Real estate transactions	28 378	0.49	75 312	0.98
Computer programming	26 312	0.45	934	0.01
Provision of social assistance	21 138	0.36	47	0.00
Activities of the main departments (head offices)	13 283	0.23	39 506	0.51
Production of clothes	4 098	0.07	55 986	0.73
Activities of travel agencies	1 081	0.02	44 854	0.58
Others	354 970	6.06	749 885	9.74
Total customer funds	5 857 144	100	7 697 311	100

Note 18. Derivative financial obligations

Table 18.1. Financial liabilities accounted for at fair value through profit/loss

In UAH '000	31.12.2022	31.12.2021
Obligations under currency swap contracts	-	333
Obligations under forward contracts	-	-
Total financial liabilities accounted for at fair value through profit or loss	-	333

The data of note 18 are indicated in "Statement of financial position (Balance sheet)" and in note 25.

Note 19. Reserves for obligations

Table 19.1. Changes in reserves for credit obligations

In UAH '000	Reserves for credit obligations	
	2022	2021
Balance at the beginning of the period	19 388	18 356
Formation and/or (reduction) of the reserve	14 255	1 032
Balance at the end of the period	33 643	19 388

The data of Note 19 are indicated in "Statement of Financial Position (Balance Sheet)" and in Note 25.

Table 19.2. Reserve for other obligations

As of the end of December 31, 2022, obligations to ensure compensation for losses that may be caused by qualified electronic trust services provider to users as a result of improper performance of their duties in the amount of UAH 6 700 000. (2021: UAH 6 500 000).

Table 19.3. Reserves for impaired credit obligations according to the three-stage impairment model as of 31.12.2022

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Reserves for the provided financial guarantees	-	32 164	655
Reserves for letters of credit	-	824	-
In total	-	32 988	655

Table 19.4. Reserves for impaired credit obligations according to the three-stage impairment model as of 31.12.2021

<i>In UAH '000</i>	Impairment STAGE 1	Impairment STAGE 2	Impairment STAGE 3
Reserves for the provided financial guarantees	-	16 272	3 086
Reserves for letters of credit	-	30	-
In total	-	16 302	3 086

The Bank applies the same risk management procedures to lending obligations as for credit operations reflected on the balance sheet. The maximum potential credit risk for lending obligations is equal to the total amount of obligations. Taking into account the availability of security and the fact that such obligations (except guarantees) are revocable, the Bank's management believes that there is actually no potential credit risk and potential liquidity risk when conducting the specified operations. The reserve in the reporting and previous periods was formed as security for guarantees.

Note 20. Lease obligations

Table 20.1. Lease obligations

The book value of liabilities at the end of the reporting period is the amount of recognized liabilities at the beginning of the reporting period, increased by the value of new lease liabilities and the amount of accrued expenses and reduced by the amount of paid lease payments.

Below is the book value of lease liabilities and their movement during the reporting year:

<i>In UAH '000</i>	31.12.2022	31.12.2021
Balance at the beginning of the reporting period	66 224	27 036
Receipt of lease obligations	34 156	78 080
Reduction of lease obligations	(20 249)	(8 963)
Accrued interest	4 014	4 623
Rental payments made	(27 019)	(34 552)
Balance at the end of the reporting period	57 126	66 224

Future lease payments and the present value of net lease payments at the reporting date are as follows

<i>In UAH '000</i>	31.12.2022	31.12.2021
Rental payments to be paid:		
In 1 year	40 621	35 448
From 1 to 5 years	23 036	37 618
Total rental payments	63 657	73 066

Amounts of expenses recognized in profit or loss, namely:

- depreciation of the right-of-use asset is recognised on a monthly basis over the lease term specified in the contract.
- lease payments made by the Bank as a lessee under an operating lease are recognised as administrative expenses.

The Bank calculates interest expenses on lease obligations on a monthly basis.

<i>In UAH '000</i>	31.12.2022	31.12.2021
Expenditure on depreciation of right-of-use assets	(28 243)	(32 441)
<i>Included in administrative expenses:</i>		
Short-term lease expenses that do not meet the recognition criteria under IFRS 16	(2 224)	(1 950)
<i>Included in financial expenses:</i>		
Interest expenses on lease obligations	(4 014)	(4 623)
The total amount recognized in profit or loss	(34 481)	(39 014)

Details of Note 20 are included in Note 25, Note 26 "Interest income and expense" and Note 29 "Administrative and other operating expenses".

Note 21. Subordinated debt

As of December 31, 2022, the Bank has concluded 4 agreements on attracting funds under conditions of subordinated debt:

- with an individual - a resident of Ukraine in the amount of UAH 26 500 000 with an interest rate of 7% and a maturity date of February 2030, in the amount of UAH 30 000 000. with an interest rate of 6% and a maturity date of August 2030 and in the amount of UAH 160 000 000. with an interest rate of 7% and a maturity date of November 2033;

- with a non-resident individual in the amount of USD 2 000 000 with an interest rate of 6% and a maturity date of October 2025.

As of December 31, 2022, the book value of the funds raised (taking into account debt with accrued interest) is UAH 290 952 000 hryvnias (2021: UAH 272 317 000).

By the decisions of the Committee on Supervision and Regulation of Banks, Supervision (Oversight) of Payment Systems, the Bank obtained permits under all agreements to include the funds raised on the terms of subordinated debt in the Bank's capital

The data of Note 21 are indicated in "Statement of Financial Position (Balance Sheet)" and in Note 25.

Note 22. Other funds raised

The European Investment Bank (hereinafter - the EIB) and Ukraine, represented by the Ministry of Finance of Ukraine, acting jointly with JSC "Ukreximbank", concluded the Financial Agreement "Project on the Main Credit for Small and Medium Enterprises and Companies with a Medium Capitalization Level" dated December 24, 2014 №FI No. 82.844 Serapis №2013-0283, which was ratified by the Verkhovna Rada of Ukraine (Law of Ukraine dated 15.07.2015 No. 601-VIII), according to which the European Investment Bank granted Ukraine a loan in the amount of EUR 400 000 000,00 euros (four hundred million euros). The purpose of the loan is to finance a portfolio of Sub-projects, each of which is implemented in Ukraine by small and medium-sized enterprises, companies with an average level of capitalization and "Eligible enterprises". Within the framework of the above, on July 23, 2020, the Bank signed 2 agreements on attracting funds from the European Investment Bank as part of the implementation of joint projects by the EIB and Ukraine:

- "Main loan for the agricultural industry - Ukraine", as of December 31, 2022, the book value of funds raised under this agreement is UAH 161 213 000 (as of December 31, 2021: UAH 53 828 000);

- "Project on the Main loan for small and medium-sized enterprises and companies with an average level of capitalization", as of December 31, 2022, the book value of the funds raised under this agreement is UAH 235 236 000 (as of December 31, 2021: UAH 230 136 000).

The agreements are tripartite, the parties are BANK ALLIANCE JSC, the Ministry of Finance of Ukraine and Ukreximbank JSC.

On December 30, 2021, the Bank signed an agreement with the International Finance Corporation (hereinafter - IFC) to open a credit line (term for 3 years), as well as a trade financing line in the amount of USD 10 million (with the possibility of increasing the limit). The loan is provided for the purpose of financing Ukrainian SMEs, with at least 50 percent of loan proceeds allocated to small and medium-sized enterprises in the agricultural sector. IFC's investment includes a USD 5 million loan from IFC's own account and another EUR 5 million mobilized from a microfinance fund Invest in Visions GmbH IIV Mikrofinanzfonds. In addition, in 2021 the Bank also joined the IFC DigiLab program, which will strengthen the Bank's digital transformation strategy by refining the operating model and expanding the range of digital banking products and services for clients.

As of December 31, 2022, the funds under the agreement with IFC Bank were not yet received.

The Bank also actively interacts with a number of other international partners, in particular, since 2019, it has been closely cooperating on confirmed trade financing instruments with the Bank Pekao SA, Poland (the total volume of transactions was about EUR 1 million), and also has an open trade financing limit from the export credit agency KUKA, Poland (in the amount of EUR 3 million).

The data of Note 22 are indicated in "Statement of Financial Position (Balance Sheet)" and in Note 25.

Note 23 Other obligations

Table 23.1. Other obligations

<i>In UAH '000</i>	31.12.2022	31.12.2021
<i>Financial obligations</i>		
Payables on customer transfers	204 564	10 925
Payables on transactions of purchase and sale of foreign currency at the expense of the bank	79 868	32 740
Customer funds on non-performing accounts	13 499	-
Accounts payable for credit operations	6 670	-
Accounts payable for funds received as security payment	6 195	1 102
Other accrued expenses	3 194	1 895
Accounts payable for transactions with banks	3 056	16 764
Other financial obligations	285	342
Payments accepted in favor of customers	141	1 037
Total financial obligations	317 472	64 805
<i>Non-financial obligations</i>		
Accounts payable for settlements with bank employees	14 214	15 004
Accounts payable for taxes and mandatory payments	5 283	3 440
Deferred income	783	1 796
Other financial obligations	67	148
Total non-financial liabilities	20 347	20 388

All other obligations	337 819	85 193
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The data of Note 23 are indicated in the "Statement of Financial Position (Balance Sheet)" and in Note 25.

Regarding the accounting of "Payables for foreign currency purchase and sale transactions at the bank's expense", see note 15 "Other assets".

Note 24. Authorized capital and reserve funds of the bank

Table 24.1. Authorized capital

<i>In UAH '000</i>	Number of shares in circulation (thousands)	Ordinary shares	Total
<i>Balance at the end of the reporting period (31.12.2020)</i>	16 000	365 120	365 120
Contributions by shares (units, stakes), unregistered authorised capital	-	92 160	92 160
<i>Balance at the end of the reporting period (31.12.2021)</i>	16 000	457 280	457 280
Contributions by shares (units, stakes), registered authorised capital	-	-	-
<i>Balance at the end of the reporting period (31.12.2022)</i>	16 000	457 280	457 280

As of December 31, 2022, the Bank's registered and fully paid-up authorized capital is UAH 457 280 000 and consists of 16 000 000 ordinary registered shares with a nominal value of UAH 28.58. each

The new version of the Charter of JSC BANK ALLIANCE was approved by the Special General Meeting of Shareholders of JSC BANK ALLIANCE (Minutes No. 3/2021 dated November 26, 2021) and registered by the State Registrar on January 28, 2022.

The Bank did not repurchase, sell previously repurchased, or cancel shares during 2022 . Preferred shares were not placed. There are no shares intended for issuance under the terms of options and sales contracts.

Reserve funds of the Bank

Deductions to the reserve fund are made from the net profit of the reporting year, which remains at the Bank's disposal after paying taxes and other mandatory payments (hereinafter - the net profit of the reporting year).

Deductions to the reserve fund from the net profit of the reporting year are made after the approval of the Annual Report by the General Meeting of Shareholders of the Bank and the decision on the distribution of profit.

The amount of annual deductions to the reserve fund is determined by the Bank's Charter and must be at least 5 percent of the Bank's net profit until it reaches 25 percent of the Bank's registered authorized capital.

The Bank's reserve fund can be used to cover unforeseen losses on all items of assets and off-balance sheet liabilities.

The order of formation and the size of the Bank's other funds are determined by the relevant decisions of the General Meeting of Shareholders in accordance with the requirements of the legislation of Ukraine and regulatory and legal acts of the National Bank of Ukraine.

At the beginning of the reporting period, the size of the reserve fund was UAH 44 530 000. During the reporting period, the Bank allocated UAH 16 553 000 to the reserve fund. (2021: UAH 4 223 000), which is 5% of the Bank's profit obtained in 2021. At the end of the reporting period, the amount of reserve and other funds of the Bank is UAH 61 083 000.

The data of Note 24 are indicated in "Statement of Financial Position (Balance Sheet)" and "Statement of Changes in Equity (Statement of Equity)".

Note 25. Analysis of assets and liabilities by their maturity

Table 25.1. Analysis of assets and liabilities by their maturity

In UAH '000	Appendix	31.12.2022			31.12.2021		
		Up to a year	More than a year	Total	Up to a year	More than a year	Total
ASSETS							
Cash and cash equivalents	6	1 049 498	-	1 049 498	1 161 292	-	1 161 292
Loans and debts of banks	7	-	-	-	17 382	-	17 382
Loans and debts of customers	8	3 855 094	661 933	4 517 027	2 968 960	937 968	3 906 928
Investments in financial instruments	9	939 391	3 087 500	4 026 891	1 758 558	4 404 887	6 163 445
Derivative financial assets		6 400	-	6 400	-	-	-
Current income tax receivable		5	-	5	5	-	5
Deferred tax asset		-	45 588	45 588	5 208	-	5 208
Fixed and intangible assets	10	-	68 412	68 412	-	68 239	68 239
Investment Property		-	106 772	106 772	-	-	-
Right-of-use assets	11	-	46 192	46 192	-	63 437	63 437
Non-current assets held for sale and assets of disposal groups	12	92 149	-	92 149	67 539	-	67 539
Other assets	13	146 812	13 697	160 509	29 777	-	29 777
Total assets		6 089 349	4 030 094	10 119 443	6 008 721	5 474 531	11 483 252
OBLIGATIONS							
Bank funds	14	-	2 100 000	2 100 000	58	2 100 000	2 100 058
Client funds	15	5 826 610	30 534	5 857 144	7 418 170	279 141	7 697 311
Derivative financial obligations	16	-	-	-	333	-	333
Current income tax liability		48 924	-	48 924	38 862	-	38 862
Reserves for obligations	17	22 890	17 453	40 343	25 153	735	25 888
Lease obligations	18	35 483	21 643	57 126	29 417	36 807	66 224
Subordinated debt	19	1 364	289 588	290 952	1 276	271 041	272 317
Other funds raised	20	120 635	276 436	397 071	37 175	246 789	283 964
Other obligations	21	336 945	874	337 819	69 454	15 739	85 193
Total obligations		6 392 851	2 736 528	9 129 379	7 619 898	2 950 252	10 570 150

Details of note 25 are included in "Statement of financial position (Balance sheet)".

Note 26. Interest income and expenses**Table 26.1.** Interest income and expenses

<i>In UAH '000</i>	for 2022 year	for 2021 year
INTEREST INCOME:		
Loans and debts of customers	802 383	692 001
Funds in other banks	104	1 265
Correspondent accounts in other banks	53	75
The NBU deposit certificates, accounted for at amortized cost	19 906	34 074
Interest income on debt securities	129 194	-
Other interest income	1 397	1 218
Total interest income	953 037	728 633
INTEREST EXPENSES:		
Current accounts of legal entities	(75 931)	(65 633)
Current funds of individuals	(2 974)	(3 827)
Correspondent accounts of other banks	(378)	(197)
Term funds of legal entities	(107 091)	(179 617)
Term funds of individuals	(166 279)	(138 064)
Term funds of other banks	(269)	(197)
Other funds raised	(2 490)	(2 003)
Interest expenses on loans received from the National Bank of Ukraine through refinancing	(722 603)	(149 532)
Interest expenses on lease obligations	(4 014)	(4 685)
Interest expenses on subordinated debt	(18 775)	(8 925)
Interest expenses on loans received from international and other organizations	(7 494)	(3 551)
Other expenses	(6 115)	(7 440)
Total interest expenses	(1 114 413)	(563 671)
Net interest income (expenses)	(161 376)	164 962

The details of Note 26 are included in "Statement of profit and loss and other comprehensive income (Statement of financial results)" and in note 33.

Note 27. Commission income and expenses**Table 27.1.** Commission income and expenses

<i>In UAH '000</i>	for 2022	for 2021
COMMISSION INCOME		
Settlement and cash operations	67 068	95 654
Customer credit service	6 510	4 614
Operations on the foreign exchange market for clients	46 060	105 293
Guarantees provided	206 386	336 353
Transactions with securities for clients	205	204
Total commission income	326 229	542 118
COMMISSION EXPENSES		
Settlement and cash transactions	(28 023)	(38 500)
Credit service	(9 589)	(4 164)
Off-balance operations	(737)	(847)
Total commission expenses	(38 349)	(43 511)
Net commission income/expenses	287 880	498 607

The details of Note 27 are included in "Statement of profit and loss and other comprehensive income (Statement of financial results)" and in note 33.

Note 28. Other operating income

Table 28.1. Other operating income

<i>In UAH '000</i>	for 2022	for 2021
Income from rental of deposit safes	1 186	1 270
Income from entering information into the State Register	20	82
Income from operational leasing (rent)	153	106
Income from other services	-	2 578
Income from sale under the contract of assignment	10 677	701
Income from accrued interest upon early termination of deposit contracts	2 803	1 109
Income from modification of financial assets	3 812	-
Fines, penalties received by the bank	3	10 366
Others	2 373	4 532
All other income	21 027	20 744

The details of Note 28 are included in "Statement of profit and loss and other comprehensive income (Statement of financial results)" and in note 33.

Note 29 Administrative and other operating expenses

Table 29.1. Administrative and other operating expenses

<i>In UAH '000</i>	for 2022	for 2021
Expenses for maintenance of fixed and intangible assets, telecommunications, operating expenses	(45 335)	(41 269)
Expenses for operational leasing (rent)	(2 224)	(1 970)
Other expenses related to fixed assets	(5 734)	(23)
Professional services	(10 115)	(7 032)
Marketing and advertising costs	(1 575)	(2 570)
Insurance costs	(1 801)	(679)
Payment of taxes and fees, except income tax	(20 256)	(16 231)
Reward for attracting customers	(16 655)	(23 330)
Expenses for transactions with payment cards	(31 940)	(33 482)
Costs from modification of financial assets	(3 849)	-
Others	(25 353)	(23 193)
Total administrative and other operating expenses	(164 837)	(149 779)

The details of Note 29 are included in "Statement of profit and loss and other comprehensive income (Statement of financial results)" and in note 33.

Note 30. Result from transactions with financial instruments accounted for at fair value through profit or loss

Table 30.1. Result from transactions with financial instruments accounted for at fair value through profit or loss

<i>In UAH '000</i>	2022	2021
Result from transactions with derivative financial instruments accounted for at fair value through profit or loss, including		
the result of currency swap contracts revaluation	(69 136)	(45 793)
the result of forward contracts revaluation	-	1 326
the result of purchase and sale of currency swap contracts	323 830	97 257
the result of purchase and sale of forward contracts	(154 250)	(566 276)
the result of transactions with securities that are accounted for at fair value through gains/losses.	788 089	404 797
Total result from transactions with financial instruments accounted for at fair value through profit or loss.	888 533	(108 689)

The details of Note 30 are included in "Statement of Profit or Loss and Other Comprehensive Income (the "Statement of financial results")" and Note 33.

Note 31. Income tax expenses

Table 31.1. Income tax expenses

<i>In UAH '000</i>	2022	2021
Current income tax	58 939	74 829
Income tax change	(40 380)	(1 904)
Total income tax expense	18 559	72 925

The data of note 31 are indicated in "Statement of profit and loss and other comprehensive income (Statement of financial results)".

In 2022, changes were made to deferred income tax:

- deferred tax asset increased by UAH 40 380 000. at the expense of formed reserves for guarantees; negative result from securities trading; differences arising from depreciation of non-current assets.

Table 31.2. Reconciliation of the amounts of accounting profit (loss) and tax profit (loss)

Line	<i>In UAH '000</i>	2022	2021
1	Profit before taxation	95 521	403 984
2	Theoretical tax deductions at the corresponding rate of 18%	17 193	72 717
ADJUSTMENT OF ACCOUNTING PROFIT (LOSS):			
3	Expenses not included in the amount of expenses for the purpose of calculating tax profit, but are recognized in accounting	251 932	33 514
3.1	Differences arising from depreciation and amortisation of non-current assets that increase the financial result	22 576	14 734
3.2	Differences arising during formation of reserves and increase the financial result	15 463	8 752
3.3	Differences in interest accrual in tax accounting	971	1 043
3.4	Differences arising during write-off (sale) of fixed assets and residual value increases the financial result	2 592	159

Line	<i>In UAH '000</i>	2022	2021
3.5	Differences arising when selling securities and increase the financial result	203 509	8 072
3.6	Differences arising when purchasing services from non-residents and increase the financial result	444	717
3.7	Differences from recognized fines, penalties, penalties increasing the financial result	6 377	37
4	Expenses that are included in expenses for the purpose of calculating tax profit, but are not recognized in accounting (differences arising when calculating depreciation of non-current assets and reduce the financial result)	(20 010)	(21 786)
4.1	Differences arising when calculating depreciation of non-current assets and reduce the financial result	(16 206)	(11 691)
4.2	Differences arising from write-off (sale) of property, plant and equipment and the residual value reduces the financial result	(2 797)	(636)
4.3	Differences that arise during formation of reserves and reduce the financial result	(1 007)	(1 220)
4.4	Differences that arise when selling securities and reduce the financial result	-	(8 072)
4.5	Differences, assets written off in previous periods, which in the reporting period acquired the characteristics specified in clause 14.1.11	-	(167)
5	Income tax expenses, including	(18 559)	(72 925)
	- at the expense of a deferred tax asset	40 380	1 904

The Bank made a decision to reflect the deferred tax asset in the amount of UAH 40 380 000 in the Bank's balance sheet.

As of the end of the year, the Bank has differences arising from formation of provisions for impairment of assets - guarantees and increasing financial result before taxation in the amount of UAH 14 455 000 - GVA increased by UAH 2 602 000 for the year; differences arising from depreciation of non-current assets in the amount of UAH 6 370 000 - GVA increased by UAH 1 146 000, differences on sale of securities - UAH 203 509 000 - GVA increased by UAH 36 632 000.

The bank has permanent differences for which deferred tax assets are not accrued.

Differences that increase the financial result before tax: UAH 971 000 for additional accrual of interest in tax accounting; UAH 444 000 - differences on purchase of services from non-residents; UAH 6 377 000 - difference from recognised fines.

Differences that reduce the financial result before tax: differences that arose during the write-off of fixed assets in the amount of UAH 205 000.

Income tax expenses in 2022 amount to UAH 58 939 000. At the same time, according to international standards, due to reflection of a deferred tax asset in the Bank's balance sheet, income tax expenses were reduced by UAH 40 380 000 and final income tax expenses amount to UAH 18 559 000.

The Bank's profit in the reporting year 2022 was taxed as per Section III of the Tax Code of Ukraine. The corporate income tax rate for 2022 is 18%.

Table 31.3. Tax Consequences of Recognizing Deferred Tax Assets and Liabilities for 2022

<i>In UAH '000</i>	Balance at the period beginning	Recognized in profit/loss	Recognized in other comprehensive income	Recognized in equity	Balance at the period end
Tax effect of temporary differences that reduce (increase) the amount of taxation and tax loss carry forwards	-	-	-	-	-
Net deferred tax asset	5 208	40 380	-	-	45 588
Recognized deferred tax liability	-	-	-	-	-

At the end of 2022, the Bank formed a provision for impairment of guarantee assets with maturity in 2023 in the amount of UAH 15 463 000 and recognised deferred tax assets in the amount of UAH 2 783 000 in the Bank's balance sheet. At the same time, the provisions were released upon maturity of the guarantees in 2022 in the amount of UAH 1 007 000 - OCI was reduced by UAH 181 000. During 2022, the Bank recognised an increase in deferred tax assets in the amount of UAH 2 602 000 against the provision for impairment of guarantee assets, and at the end of the year the recognised amount of deferred tax asset was UAH 7 262 000. In 2022, the Bank recognised deferred tax assets for differences arising from depreciation of non-current assets in the amount of UAH 1 146 00 and differences arising from the sale of securities in the amount of UAH 36 632 000.

Table 31.4. Tax Consequences of Recognizing Deferred Tax Assets and Liabilities for 2021

<i>In UAH '000</i>	Balance at the period beginning	Recognized in profit/loss	Recognized in other comprehensive income	Recognized in equity	Balance at the period end
Tax effect of temporary differences that reduce (increase) the amount of taxation and tax loss carry forwards	-	-	-	-	-
Net deferred tax asset	3 304	1 904	-	-	5 208
Recognized deferred tax liability	-	-	-	-	-

Note 32. Profit/(loss) per ordinary share**Table 32.1.** Net and adjusted earnings/(loss) per ordinary share

<i>In UAH '000</i>	for 2022	for 2021
Profit/(loss) for the year	76 962	331 059
Profit/(loss) attributable to ordinary shareholders of the bank	76 962	331 059
Average annual number of ordinary shares in circulation (thousands)	16 000	16 000
Net and adjusted profit/(loss) per common share (UAH)	4.81	20.69

The data of note 32 are indicated in the "Statement of profit and loss and other comprehensive income (Statement of financial results)".

Note 33. Operating segments

According to IFRS 8, operating segments are components of a business entity that participate in commercial activities, as a result of which the entity may receive revenues and incur expenses, the operating results of which are regularly reviewed by a person responsible for making operating decisions, and for which separate financial information is available.

A segment is a separable component of the Bank's business, which deals either with provision of services or products (business segment), or with provision of services or supply of products within a specific economic environment (geographical segment), which is exposed to risks and provides profitability.

The Bank's main format for displaying segment information in reporting is business segments. The Bank's operations are mainly concentrated in Ukraine.

The Bank recognizes the following reporting segments:

- services to corporate clients;
- services to individuals;
- services to banks;
- investment activity;
- other segments and operations.

Services to corporate clients - this segment includes servicing of current accounts of legal entities and individual entrepreneurs, providing loans, credit lines in the form of "overdraft" and attracting deposits. Serving corporate clients remains a priority for the Bank, corporate business is a key segment for the Bank and forms the main share of the loan portfolio and income to the Bank. Small and medium-sized enterprises and micro-businesses were selected as the key segment of customers targeted by the Bank.

Services to individuals - this segment includes services to individuals. Includes opening and maintaining current accounts of individuals, attracting deposits, servicing credit cards and salary projects, providing loans for current needs and mortgage lending. The Retail Business development strategy consists in expanding the customer base, improving the quality of customer service and increasing business efficiency, through introduction of an optimal product range, service quality standards, a model of retail product sales in branches, a balanced credit policy, optimization of business processes, and improvement of the Bank's technological capabilities.

Services to banks – this segment includes operations on correspondent bank accounts, providing loans to banks and operations on purchase and sale of foreign currency and bank metals. Interbank operations are carried out primarily for the purpose of obtaining the Bank's trading income from operations on the Foreign Exchange Market and the international currency market, as well as managing the Bank's immediate and current liquidity, taking into account risks and costs, to ensure the Bank's solvency and timely fulfillment of its obligations to the Bank's customers and counterparties.

Investment activity - this segment includes trading in financial instruments, operations on the capital market, operations with securities. Debt securities issued by state authorities - bonds of the domestic state loan of Ukraine and deposit certificates of the NBU remain the Bank's priority area of investments.

Information on revenues, expenses, assets and liabilities of the reporting segments is provided below.

Table 33.1. Revenues, expenses and results of reportable segments for 2022

<i>In UAH '000</i>	Reportable segment name				Others segments and operations	Total
	Corporate clients service	Individuals service	Banks service	Investment activity		
Income from external clients:						
Interest income	790 369	13 411	157	149 100	-	953 037
Commission income	294 870	23 631	7 523	205	-	326 229
Other income	18 079	1 273	3	-	1 672	21 027
Total segments revenue	1 103 318	38 315	7 683	149 305	1 672	1 300 293
Interest expenses	(196 631)	(188 028)	(725 740)	-	(4 015)	(1 114 413)
Commission costs	(10 325)	(4 041)	(23 981)	(2)	-	(38 349)
Net loss from impairment of financial assets	(503 369)	1 732	(62 599)	-	(655)	(564 891)
Net gain/(loss) from transactions with financial instruments at fair value through profit or loss	(154 250)	-	254 694	788 089	-	888 533
Net profit/(loss) from transactions with foreign currency	-	(26 770)	181 192	-	-	154 422
Net gain/(loss) from foreign currency revaluation	-	-	87 095	-	-	87 095
Deduction to reserves for obligations	(14 255)	-	-	-	(200)	(14 455)
Net gain/(loss) on derecognition of financial assets carried at amortized cost	-	-	-	(156 217)	-	(156 217)
Administrative and other operating expenses (including expenses for employee benefits)	(122 418)	(107 255)	(22 793)	(2 665)	(191 366)	(446 497)
SEGMENTS RESULT:	102 076	(286 047)	(304 449)	778 510	(194 563)	95 521
Profit/(loss) before tax						

Table 33.2. Revenues, expenses and results of reportable segments for 2021

<i>In UAH '000</i>	Reportable segment name				Others segments and operations	Total
	Corporate clients service	Individuals service	Banks service	Investment activity		
Income from external clients:						
Interest income	683 038	10 181	1 340	34 074	-	728 633
Commission income	493 812	19 207	26 829	270	2 000	542 118
Other income	11 609	1 336	-	-	7 799	20 744
Total segments revenue	1 188 459	30 724	28 169	34 344	9 799	1 291 495
Interest expenses	(252 372)	(147 978)	(151 929)	-	(11 392)	(563 671)
Commission costs	-	-	(19 761)	-	(23 750)	(43 511)
Net loss from impairment of financial assets	(247 387)	(22 646)	(6 940)	-	-	(276 973)
Net gain/(loss) from transactions with financial instruments at fair value through profit or loss	-	-	-	404 797	(513 486)	(108 689)
Net profit/(loss) from transactions with foreign currency	-	-	-	-	558 163	558 163
Net gain/(loss) from foreign currency revaluation	-	-	-	-	(30 267)	(30 267)
Deduction to reserves for obligations	(1 032)	-	-	-	(6 500)	(7 532)
Net gain/(loss) on derecognition of financial assets carried at amortized cost	(11 023)	-	-	-	-	(11 023)
Administrative and other operating expenses (including expenses for employee benefits)	-	-	-	-	(404 008)	(404 008)
SEGMENTS RESULT: Profit/(loss) before tax	676 645	(139 900)	(150 461)	439 141	(421 441)	403 984

Table 33.3. Assets and liabilities of reportable segments as of 31.12.2022

<i>In UAH '000</i>	Reportable segment name				Others segments and operations	Total
	Corporate clients service	Individuals service	Banks service	Investment activity		
SEGMENT ASSETS						
Segment assets	4 511 554	65 215	1 012 443	4 026 891	-	9 616 103
Undistributed assets	-	-	-	-	503 340	503 340
Total assets	4 511 554	65 215	1 012 443	4 026 891	503 340	10 119 443
SEGMENT OBLIGATIONS						
Segment obligations	4 193 239	2 620 902	2 182 924	-	-	8 997 065
Undistributed obligations	-	-	-	-	132 314	132 314
Total obligations	4 193 239	2 620 902	2 182 924	-	132 314	9 129 379

Table 33.4. Assets and liabilities of reportable segments as of 31.12.2021

<i>In UAH '000</i>	Reportable segment name				Others segments and operations	Total
	Corporate clients service	Individuals service	Banks service	Investment activity		
SEGMENT ASSETS						
Segment assets	3 853 145	53 782	602 408	6 163 445	-	10 672 780
Undistributed assets	-	-	-	-	810 472	810 472
Total assets	3 853 145	53 782	602 408	6 163 445	810 472	11 483 252
SEGMENT OBLIGATIONS						
Segment obligations	4 127 040	2 046 273	2 132 799	2 100 000	-	10 406 112
Undistributed obligations	-	-	-	-	164 038	164 038
Total obligations	4 127 040	2 046 273	2 132 799	2 100 000	164 038	10 570 150

Note 34. Financial risk management

Risk management is an important factor in banking and an essential element of the Bank's operations. The main risks to which the Bank is exposed include credit risk, market risk (which includes the risk of changes in currency exchange and interest rates), liquidity risk, and operational risk.

The Bank implements integrated risk management, and risks are assessed based on the Bank's policy, which is reviewed and approved by the Bank's Supervisory Board. Risk limits are set for credit risk, market risk and liquidity risk, and the level of risk is maintained within these limits. The bank introduced calculation and establishment of risk appetite (tolerance) for operational risks.

Credit risk

Credit risk is the risk of financial loss as a result of the borrower's or counterparty's failure to fulfill its obligations to the Bank. The bank has developed credit risk management policies and procedures (for both on and off-balance sheet items).

For the purposes of risk management reporting, the Bank considers and aggregates all elements of credit risk (such as the risk of default by individual customers and counterparties, as well as risks specific to certain countries and industries).

With the implementation of the resolution of the Board of the National Bank of Ukraine No. 351 dated 30.06.2016, according to which the Bank calculates the amount of uncovered credit risk as difference between formed reserves for active operations and off-balance sheet lending obligations, the amount of uncovered credit risk as of 01.01.2023 is UAH 165 861 000. (as of January 1, 2022: UAH 26 171 000). The amount of uncovered credit risk reduces the amount of regulatory capital of the Bank and is reflected in the structure of regulatory capital as of January 1, 2023.

Market risk

Market risk is that changes in market rates, such as exchange rates, interest rates, credit spreads and securities prices, will affect income or the value of portfolios of financial instruments. Market risk arises from open positions in interest rates, currencies and stock financial instruments, which are affected by general and specific changes in the market and changes in the level of market prices.

In order to respond in time to changes in the market situation and indicators of the market environment, the Bank conducts quarterly stress testing, the results of which are reviewed at the meetings of the Management Board.

Currency risk

Currency risk is in the fact that changes in exchange rates affect the Bank's income or value of its portfolios of financial instruments.

The bank has assets and liabilities denominated in several foreign currencies. Currency risk occurs when actual or projected assets in a foreign currency are greater or less than liabilities in the same currency. Management staff sets limits and carries out constant monitoring of currency positions in accordance with NBU regulations and approved internal methodology

The total volume of the Bank's open currency positions does not create a burden on the Bank's capital and income.

Table 34.1. Analysis of currency risk*(In UAH '000)*

Currency name	31.12.2022			
	Monetary assets	Monetary obligation	Derivative financial instruments	Clean position
US dollar	1 091 678	(1 044 116)	(214 751)	(167 189)
Euro	1 225 694	(877 912)	(344 036)	3 747
Pound Sterling	7 237	(8)	-	7 229
Russian ruble	85 865	(97 640)	-	(11 775)
Swiss franc	194	(216 093)	214 123	(1 776)
Canadian dollar	16	-	-	16
Forint	8	(17)	-	(9)
Zloty	491	(6)	-	485
Gold	346	-	-	346

(In UAH '000)

Currency name	31.12.2021			
	Monetary assets	Monetary obligation	Derivative financial instruments	Clean position
US dollar	1 017 838	(1 006 560)	(168 808)	(157 530)
Euro	1 311 508	(1 325 098)	3 141	(10 449)
Pound Sterling	4 290	(8)	(4 112)	170
Russian ruble	326	(61 715)	60 917	(472)
Belarusian ruble	1 059	(1 190)	-	(131)
Swiss franc	774	(300 467)	296 493	(3 200)
Canadian dollar	834	-	-	834
Forint	48	(14)	-	34
Yuan Renminbi	10	-	-	10
Czech koruna	866	-	-	866
Zloty	73	-	-	73
Gold	2 338	-	-	2 338

Table 34.2. Change in financial result and equity as a result of possible changes in exchange rates set at the reporting date, provided that all other variables remain fixed

(In UAH '000)

Currency name	31.12.2022		31.12.2021	
	impact on profit/(loss)	impact on equity	impact on profit/(loss)	impact on equity
Strengthening of the US dollar by 5%	2 378	2 378	564	564
Weakening of the US dollar by 5%	(2 265)	(2 265)	(564)	(564)
Strengthening of the euro by 5%	17 389	17 389	(680)	(680)
Weakening of the euro by 5%	(16 561)	(16 561)	680	680
Strengthening of the pound sterling by 5%	252	252	214	214
Weakening of pound sterling by 5%	(240)	(240)	(214)	(214)
Strengthening of the Russian ruble by 5%	(59)	(59)	(3 069)	(3 069)
Weakening of the Russian ruble by 5%	56	56	3 069	3 069
Strengthening of the Belarusian ruble by 5%	-	-	(7)	(7)
Weakening of the Belarusian ruble by 5%	-	-	6	6
Strengthening of the Swiss franc by 5%	(10 795)	(10 795)	(14 985)	(14 985)
Weakening of the Swiss franc by 5%	10 281	10 281	14 985	14 985
Strengthening of the Canadian dollar by 5%	1	1	42	42
Weakening of the Canadian dollar by 5%	(1)	(1)	(42)	(42)
Strengthening of the forint by 5%	-	-	2	2
Weakening of the forint by 5%	-	-	(2)	(2)
Strengthening of yuan renminbi by 5%	-	-	-	-
Weakening of yuan renminbi by 5%	-	-	-	-
Strengthening of the Czech koruna by 5%	-	-	(699)	(699)
Weakening of the Czech koruna by 5%	-	-	699	699
Strengthening of the zloty by 5%	24	24	4	4
Weakening of the zloty by 5%	(23)	(23)	(4)	(4)
Strengthen gold by 5%	17	17	117	117
Weakening of gold by 5%	(16)	(16)	(117)	(117)

Interest rate risk

Interest rate risk is in the fact that changes in interest rates affect income or value of financial instruments.

Interest rate risk is measured by the extent to which changes in market interest rates affect the interest margin and net interest income. When the structure of interest-earning assets differs from the structure of interest-bearing liabilities, net interest income will increase or decrease as a result of changes in interest rates. As part of interest rate risk management activities, the management staff constantly evaluates market interest rates for various types of assets and liabilities on which interest is accrued.

Interest margin on assets and liabilities with different payment and repayment terms may increase as a result of changes in market interest rates. In practice, the management staff changes the interest rates on certain financial assets and liabilities, based on current market conditions and mutual agreements, which are formalized by an addendum to the main agreement, in which the new interest rate is specified.

Financial assets and liabilities are accounted for at carrying amounts based on the earlier of

contractual interest repricing or maturity dates. For assets and liabilities with fixed interest rates, the term is determined from the balance sheet date to the contractual maturity date, and for assets and liabilities with variable interest rates, the term is determined by reference to the nearest interest rate repricing or maturity date, whichever is earlier.

Table 34.3 General analysis of interest rate risk

<i>In UAH '000</i>	On request and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than a year	Total
31.12.2022					
Total financial assets	1 637 674	1 745 553	1 105 353	3 749 314	8 237 894
Total financial obligations	3 713 110	1 282 411	782 597	2 712 825	8 490 943
Net gap between interest-bearing assets and liabilities at the end of the reporting period	(2 75 436)	463 142	322 756	1 036 489	(253 049)
31.12.2021					
Total financial assets	2 442 518	1 182 555	1 055 766	5 342 855	10 023 694
Total financial obligations	5 061 253	1 311 123	504 286	2 920 266	9 796 928
Net gap between interest-bearing assets and liabilities at the end of the reporting period	(2 618 735)	(128 568)	551 480	2 422 589	226 766

Table 34.4 Monitoring of interest rates by financial instrument

<i>In annual percentage</i>	31.12.2022				31.12.2021			
	UAH	U.S. dollar	Euro	Other currencies	UAH	U.S. dollar	Euro	Other currencies
ASSETS								
Loans and debts of banks	-	0.03	-	-	-	0.03	-	-
Loans and debts of customers	16.0	9.3	8.1	-	16.0	9.3	8.1	-
Investments in securities	10.4	3.9	-	-	10.4	3.9	-	-
PASSIVES								
Bank funds	25.0	-	-	-	9.0	-	-	-
Customer funds	8.8	1.2	1.3	8.0	5.5	1.2	0.5	9.9
Current accounts	3.5	0.04	0.02	-	3.0	0.02	-	-
Term funds	15.0	1.8	1.8	-	7.7	2.2	2.0	-
Other funds raised	-	-	-	-	-	-	2.3	-
Lease obligations	-	-	-	-	6.6	-	-	-
Subordinated debt	6.8	6.0	-	-	6.8	6.0	-	-

Liquidity risk

Liquidity risk is an existing or potential risk that arises due to the bank's inability to fulfill its obligations in a timely manner without incurring unacceptable losses.

Assets, liabilities and liquidity are managed by the Asset and Liability Committee (ALCO). ALCO analyzes the equilibrium of assets and liabilities according to time of return and provides recommendations for the elimination of inconsistencies that arise over time. In addition, ALCO examines the cost of liabilities and the profitability of assets, analyzes compliance with economic standards and monitors the fulfillment of reserve requirements established by the National Bank of Ukraine, and oversees asset and liability management in order to comply with regulatory indicators. ALCO is also responsible for optimizing cash flows and ensuring payment discipline; coordinates the corporate forecasting system, etc.

Liquidity risk is one of the key financial risks, stable financial position of the bank depends on efficiency of its management. In order to manage the Bank's liquidity risk, the Bank analyses the structure of assets and liabilities, liquidity position both in general for all types of currencies and in the context of each currency in which the Bank will conduct its operations. In addition, the Bank monitors compliance with mandatory reservation of funds on a correspondent account, economic standards established by the National Bank of Ukraine (short-term liquidity standard H6, liquidity coverage ratio LCR, net stable funding standard (NSFR), as well as internal regulatory requirements. An important tool for effective liquidity management is the use of the method of analysing the balance of maturities of active investments and borrowed funds (GAP analysis) and forecasting cash flows. Compliance with the established limits is monitored on a daily basis based on the analysis of daily statistical and management reports.

Table 34.5. Analysis of financial obligations by maturity for 2022

<i>In UAH '000</i>	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Bank funds	44 589	89 178	391 233	3 160 068	3 685 068
Customer funds:	3 886 183	721 762	1 308 578	34 838	5 951 361
<i>funds of individuals</i>	847 075	640 846	903 863	7 522	2 399 306
<i>others</i>	3 039 108	80 916	404 715	27 316	3 552 055
Other funds raised	1 535	28 633	96 470	280 439	407 077
Lease obligations	-	9 265	26 289	21 572	57 126
Subordinated debt	2 998	3 269	14 340	431 706	452 313
Other financial obligations	111 541	204 885	237	809	317 472
Total payments for financial obligations (by balance sheet items)	4 046 846	1 056 992	1 837 147	3 929 432	10 870 417
Financial guarantees	1 265	58 604	93 847	-	153 716
Other credit obligations (provided guarantees, letters of credit)	1 479 928	469 277	678 427	2 409 067	5 036 699
Total potential future payments on financial obligations	5 528 039	1 584 873	2 609 421	6 338 499	16 060 832

Table 34.6. Analysis of financial obligations by maturity for 2021

<i>In UAH '000</i>	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Bank funds	15 808	31 500	141 750	2 712 750	2 901 808
Customer funds:	5 410 314	925 060	1 280 424	292 306	7 908 104
<i>funds of individuals</i>	548 316	383 478	894 802	122 580	1 919 176
<i>others</i>	4 861 998	541 582	385 622	169 726	5 958 928
Other funds raised	483	967	41 280	251 762	294 492
Lease obligations	2 954	5 908	26 586	37 618	73 066
Subordinated debt	1 693	3 079	13 509	429 263	447 544
Other financial obligations	54 295	8 000	390	2 120	64 805
Total payments for financial obligations (by balance sheet items)	5 485 547	974 514	1 503 939	3 725 819	11 689 818
Financial guarantees	18 371	10 652	-	-	29 023
Other credit obligations (provided guarantees, letters of credit)	370 929	698 983	1 753 868	317 676	3 141 456
Total potential future payments on financial obligations	5 874 847	1 684 149	3 257 807	4 043 495	14 860 298

Table 34.7. Maturity analysis of financial assets and liabilities based on expected maturities for 2022

<i>In UAH '000</i>	On request and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1 049 498	-	-	-	-	1 049 498
Investments in financial instruments	848 317	70 465	20 609	3 087 381	119	4 026 891
Bank loans and debts	1 003 462	1 005 241	1 846 391	626 549	35 384	4 517 027
Customer loans and debts	-	286	6 114	-	-	6 400
Other financial assets	99 205	3	30 396	13 697	-	143 301
Total financial assets	3 000 482	1 075 995	1 903 510	3 727 627	35 503	9 743 117
Obligations						
Bank funds	-	-	-	2 100 000	-	2 100 000
Customer funds	3 861 862	693 880	1 270 868	30 534	-	5 857 144
Derivative financial obligations	-	9 265	26 218	21 643	-	57 126
Lease obligations	1 364	-	-	73 103	216 485	290 952
Subordinated debt	938	27 480	92 217	276 436	-	397 071
Other funds raised	111 541	204 885	237	699	110	317 472
Other financial obligations	3 975 705	935 510	1 389 540	2 502 415	216 595	9 019 765
Total financial obligations	<i>(975 223)</i>	<i>140 485</i>	<i>513 970</i>	<i>1 225 212</i>	<i>(181 092)</i>	<i>723 352</i>
<i>Net liquidity gap at the end of December 31</i>	-	<i>(834 738)</i>	<i>(320 768)</i>	<i>904 444</i>	<i>723 352</i>	-

Table 34.8. Maturity analysis of financial assets and liabilities based on expected maturities for 2021

<i>In UAH '000</i>	On request and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1 161 292	-	-	-	-	1 161 292
Investments in financial instruments	1 630 357	100 561	27 640	4 131 614	273 273	6 163 445
Bank loans and debts	17 382	-	-	-	-	17 382
Customer loans and debts	858 840	560 254	1 549 866	902 925	35 043	3 906 928
Other financial assets	11 455	1 625	71	83	-	13 234
Total financial assets	3 679 326	662 440	1 577 577	5 034 622	308 316	11 262 281
Obligations						
Bank funds	58	-	-	2 100 000	-	2 100 058
Customer funds	5 387 958	875 005	1 155 207	279 141	-	7 697 311
Derivative financial obligations	333	-	-	-	-	333
Lease obligations	-	6 820	22 597	36 807	-	66 224
Subordinated debt	1 276	-	-	54 543	216 498	272 317
Other funds raised	-	-	37 175	246 789	-	283 964
Other financial obligations	54 295	8 000	390	2 010	110	64 805
Total financial obligations	5 443 920	889 825	1 215 369	2 719 290	216 608	10 485 012
<i>Net liquidity gap at the end of December 31</i>	<i>(1 764 594)</i>	<i>(227 385)</i>	<i>362 208</i>	<i>2 315 332</i>	<i>91 708</i>	<i>777 269</i>
<i>Aggregate liquidity gap at the end of December 31</i>	<i>-</i>	<i>(1 991 979)</i>	<i>(1 629 771)</i>	<i>685 561</i>	<i>777 269</i>	<i>-</i>

When financial assets and liabilities are analysed by maturity based on expected maturities, the data are presented at their book values.

During analysis of financial assets and liabilities, the Bank does not take into account balances of non-monetary items, which include:

- for active operations: inventories, prepaid expenses, receivables for the purchase of assets and services, advances, property, plant and equipment and right-of-use assets;
- for passive operations: prepaid expenses, accounts payable for the acquisition of assets, provisions for liabilities.

Geographic risk

Geographic risk is a risk of the Bank incurring a loss as a result of non-fulfillment of contractual obligations by clients or counterparties who belong to a certain country and, accordingly, are subject to the risks inherent in this country. Geographic risk management is carried out by assessing the risk of each country (if necessary, the region), which is taken into account by the management staff when making decisions.

The bank has an insignificant geographical risk in active operations: the volume of operations with non-residents is 1.3% of active operations, during the year the volume of passive operations decreased from 12.3% of liabilities as of 31.12.2021 to 3.9% as of 31.12.2022.

Operational risk

The operational risk of the Bank is a probability of losses due to inadequacy or failures of internal processes, influence of human factor, failures and errors in systems, as well as influence of external events. This category includes, in particular, all types of fraud, legal risk. In the event of failure in the internal control system, operational risk can lead to financial losses, legal or regulatory consequences, or cause reputational damage.

Operational risk assessment is the process of determining significance of operational risk based on analysis of combination of probability of a risk event and possible losses (financial or non-financial). To determine the level of risk, the Bank has developed and approved a matrix of operational risks, according to which, depending on frequency of occurrence of the event and/or incurred loss, the risk of the event is assessed as "low", "medium", "high", "critical". The Bank conducts monthly expert assessment of operational risks. Based on its results, decisions are made to implement appropriate measures to minimize and prevent operational risks. Also, assessment includes not only monitoring of risk events, but also pro-active management of foreseeable operational risks.

The main methods of minimizing operational and information risks is development of internal procedures/products, as well as realization of banking operations and processes in such a way as to exclude / minimize the possibility of occurrence of these risk factors. At the same time, special attention is paid to the observance of principles of separation of powers, procedure for approval and accountability of banking processes and operations.

The main, but not exhaustive, list of tools for control and reduction (neutralization), avoidance of operational, including information risks in the Bank is as follows:

- description / updating and implementation of GNI related to the Bank's activities;
- compliance with information security requirements and principles;
- organization of double execution ("4 eyes" rule) and confirmation of certain actions / operations;
- automation and improvement of technological systems;
- compliance with requirements and principles of personnel management;
- development and approval of the Bank's products with a detailed analysis of all processes and GNI, while approving a plan for the introduction of a new product;
- development of an action plan in case of unforeseen circumstances;
- development of procedures for insurance of certain types of operational risks, etc.
- implementation of the operational risk incident management system;
- staff training and raising awareness on operational risks in general;
- control over compliance by the Bank's employees with regulatory documents.

A significant challenge in assessing the Bank's ability to withstand operational risks in 2022 was the military aggression of the Russian Federation against Ukraine. According to the incident "Military aggression of the Russian Federation against Ukraine", registered on February 24, 2022, since the beginning of the aggression, the Bank took into account expenses incurred as a result of hostilities, namely: unrecovered investments from branches closed due to hostilities, direct material losses due to hostilities, covering employee downtime, insufficient income due to lack of electricity supply or communication as a result of missile attacks on the country's energy infrastructure, additional costs to ensure the continuous operation of the Bank's structural divisions.

Note 35. Capital management

The Bank's capital is measured and analysed by individual components of its types, taking into account certain arbitrary nature of this approach and interrelation of all types.

Regulatory capital is one of the most important indicators of banks' activity, the main purpose of which is to cover negative consequences of various risks banks take in the course of their activities, and to ensure protection of deposits, financial stability and stable operations of banks.

Table 35.1 Structure of regulatory capital

<i>(In UAH '000)</i>			
Line	Name of the item	31.12.2022	31.12.2021
1	<i>Fixed capital</i>	500 461	486 525
1.1	Actually paid registered authorized capital	457 280	457 280
1.2	Disclosed reserves created or increased due to retained earnings:	61 083	44 529
1.2.1	General reserves and reserve funds created in accordance with the laws of Ukraine	61 083	44 529
1.2.1.1	of them are reserve funds	59 954	43 401
1.3	Reduction in fixed capital:	(17 902)	(15 284)
1.3.1	intangible assets less depreciation	(17 768)	(15 284)
1.3.2	capital investment in intangible assets	(134)	-
2	<i>Additional capital (no more than Fixed Capital)</i>	474 496	486 525
2.1	Subordinated debt included in equity	260 382	260 145
2.2	Estimated profit for the current year	214 114	380 148
2.2.1	Financial result of the current year	76 962	331 059
2.2.2	Amount of uncovered credit risk	(165 861)	(26 171)
2.2.3	Profit from previous years (5030)	394 739	80 233
2.2.4	Incomes not received for more than 30 days from the date of their accrual, the repayment term of which has not passed	(36 166)	-
2.2.5	Accrued income, the term of payment of which has passed according to the contract	(117 174)	(11 439)
2.2.6	Part of the amount of the formed reserve for an active banking operation, which belongs to the accrued income, which has not been received for more than 30 days	61 614	6 466
3	<i>Prevention</i>	-	-
4	Total regulatory capital	974 957	973 050

The components and the procedure for calculating the Bank's core and additional capital are determined by the Instruction on the Procedure for Regulating the Activities of Ukrainian Banks, approved by the Resolution of the Board of the National Bank of Ukraine dated August 28, 2001 No. 368 (hereinafter referred to as the Instruction) and the Methodology for the Calculation of Economic Standards for the Regulation of Banks in Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine dated 15.12.2017 No. 803-п/III (hereinafter referred to as the Methodology).

Capital management processes are a sequence of actions regarding:

- assessment of the quality of all assets and off-balance liabilities;

- making appropriate adjustments to their value by forming reserves to cover expected losses on the obligations of counterparties;
- adjustment of the amount of capital for the amount of diversions in accordance with the Methodology;
- calculation of the forecast ratio of regulatory capital;
- conducting a constant analysis of changes in absolute values of regulatory capital by components by articles;
- assessment of the impact of changes in the size of the capital on other ratios, in the calculation of which the value of the regulatory capital is used.

The ratio of regulatory capital adequacy, calculated in accordance with the requirements of the NBU, is 15.89%, with the established limit value of 10%.

The ratio of capital adequacy, calculated in accordance with the requirements of the NBU, is 7.95%, with the established limit value of 7%.

Note 36. Potential liabilities of the bank

1) legal proceedings in court

As of 01.01.2023, the Bank is working with property claims:

- 22 claims to collect from the Bank, totaling UAH 1 229 697 000;
- 26 claims to collect in favor of the Bank, totaling UAH 489 567 000.

The main share of lawsuits against the Bank is related to the institution of guarantees, which in their legal meaning are contractual relations that are not reduced to only one obligation of the guarantor to the beneficiary, and include a whole set of obligations between the participants of the relationship regarding the guarantee itself. Taking into account the Bank's legal and unlimited right of recourse against the principal, the Bank's management considers the potential legal risks regarding the payment of funds for the execution of court decisions and non-receipt of compensation for such payment to be unlikely and insignificant. This is confirmed by the low level of non-performing assets in general for the Bank.

2) potential tax liabilities

Ambiguous interpretation of certain taxation issues by the State Tax Service of Ukraine and frequent changes in tax legislation may lead to additional tax liabilities, fines and penalties in the future. However, given that the Bank's policy on taxation of banking operations with income tax, accrual and payment of other taxes, fees, mandatory payments is based on the principles of compliance with the requirements of the current tax legislation, caution and prudence, the Bank's management considers potential tax risks of future cash outflows in terms of payment of additional tax liabilities, fines, penalties to be unlikely and insignificant.

3) obligations for capital investments

The Bank has no contractual obligations related to the reconstruction of buildings, acquisition of fixed assets and intangible assets.

4) obligations of operational leasing (rent)

The bank does not have non-default contracts on operational leasing (rent), as a result, it has no potential obligations for payments on non-default leases.

5) compliance with special requirements

The bank did not conclude contracts for obtaining loans on special requirements.

6) lending obligations

Table 36.1. The structure of lending obligations

<i>In UAH '000</i>	31.12.2022	31.12.2021
Commitments on loans granted	826 922	1 528 529
Guarantees granted	4 984 040	3 131 139
Avals granted	153 717	29 024
Uncovered letters of credit	52 659	10 316
Reserve for obligations related to lending	(33 643)	(19 388)
Total liabilities related to lending minus the reserve	5 983 695	4 679 620

Table 36.2. Credit obligations in terms of currencies

<i>In UAH '000</i>	31.12.2022	31.12.2021
UAH	5 778 647	4 378 111
U.S. Dollar	161 887	252 105
Euro	76 804	65 480
Russian Ruble	-	3 312
Total	6 017 338	4 699 008

7) assets pledged as collateral and assets subject to restrictions related to their possession, use and disposal

As of the end of 31.12.2022, the Bank possessed pledged assets and assets with limited use with the following book value:

- guarantee coverage under conversion agreements in the amount of UAH 60 637 000 placed in a financial company. (2021: UAH 43 704 000);
- securities provided as collateral for refinancing loans of the National Bank of Ukraine in the amount of UAH 3 185 713 000. (2021: UAH 2 829 980 000).

Note 37. Change in liabilities related to financial activity

Table 37.1 Changes in liabilities related to financial activities

<i>In UAH '000</i>	Subordinated debt	Other funds raised	Lease obligations
Book value as of 31.12.2020	113 583	41 710	27 036
Attraction	160 000	255 871	-
Repayment	-	-	(30 097)
Other	(1 266)	(13 617)	69 285
Book value as of 31.12.2021	272 317	283 964	66 224
Attraction	-	76 992	-
Repayment	-	(51 501)	(27 019)
Other	18 635	87 616	17 921
Book value as of 31.12.2022	290 952	397 071	57 126

"Other" includes accrued interest, which the bank classifies as cash flows from operating activities, revaluation of liabilities, as well as accrual of lease obligations under new lease agreements

Note 38. Derivative financial instruments

Table 38.1. The fair value of derivative financial instruments accounted for in the Bank's trading portfolio

<i>In UAH '000</i>	31.12.2022		31.12.2021	
	positive fair value	negative fair value	positive fair value	negative fair value
Forward contracts	-	-	-	333
Currency swap contracts	-	-	-	-
Net fair value	-	-	-	333

During the reporting year 2022 and previous 2021, the Bank did not use derivative financial instruments for hedging.

Note 39. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. Fair value assumes that the transaction to sell the asset or transfer the liability takes place:

- either on the main market for this asset or liability;
- or, in the absence of a primary market, on the most favorable market for a given asset or liability.

Fair value of an asset or liability is estimated using assumptions that would be used by market participants in pricing the asset or liability, assuming that market participants are acting in their own best interests. Fair value assessment of a non-financial asset takes into account the ability of a market participant to generate economic benefits from using the asset in the best and most efficient way or to sell it to another market participant who will use the asset in the best and most efficient way.

Financial instruments carried at fair value.

The value of cash and cash equivalents, securities accounted for at fair value through other comprehensive income, and short-term receivables and payables approximates their fair value.

Financial instruments carried at amortized cost.

Fair value of financial instruments with a floating interest rate is usually equal to their carrying amount. The expected fair value of instruments that have a fixed interest rate is based on the expected future cash flows expected to be received by discounting at market interest rates for new instruments that have similar credit risk and remaining maturity. Discount rates depend on the currency, the maturity of the instrument and the credit risk of the counterparty.

Liabilities that are shown at amortized cost.

The expected fair value of instruments with fixed interest rates and fixed maturities, the market price of which cannot be determined, is estimated based on the expected future cash flows discounted using market interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities that are redeemable on demand or upon notice is calculated as the amount of the payables that are redeemable on demand, discounted from the first date on which that amount can be called.

The value of short-term assets and liabilities is approximately equal to their fair value.

Table 39.1 Fair value of assets and liabilities as of 31.12.2022

In UAH '000		Fair value under different valuation models			Total fair value	Total book value	Difference (8=6-7)
		market quotations (level I)	assessment model using observational data (level II)	valuation model using indicators not supported by market data (level III)			
1	2	3	4	5	6	7	8
ASSETS							
1	Cash and cash equivalents	1 049 498	-	-	1 049 498	1 049 498	-
2	Bank loans and debts	-	-	-	-	-	-
3	Customer loans and debts	-	-	4 557 523	4 557 523	4 517 027	40 496
3.1	loans to legal entities	-	-	4 502 172	4 502 172	4 462 261	39 911
3.2	loans to individuals	-	-	55 351	55 351	54 766	585
4	Investments in securities	4 026 891	-	-	4 026 891	4 026 891	-
5	Other financial assets	-	-	143 301	143 301	143 301	-
6	Total assets	-	106 772	-	106 772	106 772	-
OBLIGATIONS							
7	Due to banks	-	-	-	-	-	-
8	Due to customers	-	-	2 100 000	2 100 000	2 100 000	-
8.1	Legal entities	-	-	5 860 503	5 860 503	5 857 144	3 359
8.2	individuals	-	-	3 528 216	3 528 218	3 527 619	597
9	Lease obligations	-	-	2 332 287	2 332 285	2 329 525	2 762
10	Other financial obligations	-	-	57 126	57 126	57 126	-
11	Total obligations	-	-	317 472	317 472	317 472	-
ASSETS							

Table 39.2 Fair value of assets and liabilities as of 31.12.2021

<i>In UAH '000</i>		Fair value under different valuation models			Total fair value	Total book value	Difference (8=6-7)
		market quotations (level I)	assessment model using observationa I data (level II)	valuation model using indicators not supported by market data (level III)			
1	2	3	4	5	6	7	8
ASSETS							
1	Cash and cash equivalents	1 161 292	-	-	1 161 292	1 161 292	-
2	Bank loans and debts	-	-	17 382	17 382	17 372	-
3	Customer loans and debts	-	-	4 305 810	4 305 810	3 906 928	398 882
3.1	<i>loans to legal entities</i>	-	-	4 248 468	4 248 468	3 853 146	395 322
3.2	<i>loans to individuals</i>	-	-	57 342	57 342	53 782	3 560
4	Investments in securities	6 163 445	-	-	6 163 445	6 163 445	-
5	Other financial assets	-	-	13 234	13 234	13 234	-
6	Total assets	7 324 737	-	4 336 426	11 661 163	11 262 281	398 882
OBLIGATIONS							
7	Due to banks	-	-	2 100 058	2 100 058	2 100 058	-
8	Due to customers	-	-	7 664 345	7 644 345	7 697 311	(52 966)
8.1	<i>Legal entities</i>	-	-	5 890 612	5 890 612	5 923 356	(32 744)
8.2	<i>individuals</i>	-	-	1 753 733	1 753 733	1 773 955	(20 222)
9	Lease obligations	-	-	66 224	66 224	66 224	-
10	Other financial obligations	-	-	64 805	64 805	64 805	-
11	Total obligations	-	-	9 875 432	9 875 432	9 928 398	(52 966)

Note 40. Transactions with related parties**Table 40.1. Balances for transactions with related parties as of 31.12.2022**

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Customer accounts	32 093	11 072	560
Customer loans and debts	38 813	-	1 734
Provision for loan losses as of 31.12.2022	(10 849)	-	(1 374)

Table 40.2. Balances for transactions with related parties as of 31.12.2021

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Customer accounts	26 578	6 813	1 436
Customer loans and debts	33 950	62	2 789
Provision for loan losses as of 31.12.2021	(138)	(9)	(797)

Table 40.3. Income and expenses from transactions with related parties for 2022

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Interest income	2 087	-	518
Interest expenses	(1 524)	(317)	(28)
Commission income	102	-	-
Administrative and other operating expenses	-	(41 417)	(2 922)

Table 40.4. Income and expenses from transactions with related parties for 2021

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Interest income	10 215	9 048	157
Interest expenses	(1 195)	(884)	(63)
Commission income	942	4	3
Administrative and other operating expenses	-	(36 783)	(2 183)

Table 40.5. Total amount of loans granted to related parties and repaid by related parties for 2022

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Amount of loans granted to related parties during the period	2 570	1 145	507
Amount of loans repaid by related parties during the period	2 759	1 206	1 561

Table 40.6. The total amount of loans granted to related parties and repaid by related parties for 2021

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Amount of loans granted to related parties during the period	252 306	73 526	4 010
Amount of loans repaid by related parties during the period	304 327	100 396	1 434

Table 40.7. Other rights and obligations under transactions with related parties as of the end of the reporting period 31.12.2022

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Import letters of credit	-	-	-

Table 40.8. Other rights and obligations under transactions with related parties as of the end of the reporting period 31.12.2021

<i>In UAH '000</i>	The Bank's largest participants (shareholders)	Key management personnel	Other related parties
Import letters of credit	-	-	5 696

Table 40.9. Remuneration to key management personnel (UAH '000)

Line	<i>In UAH '000</i>	2022	31.12.2022	2021	31.12.2021
		expenses	accrued liability	expenses	accrued liability
1	Current employee benefits	(33 632)	(5 199)	(29 089)	(4 689)
2	Payments at the time of dismissal	-	-	-	-

Note 41. Events after the balance sheet date

None of the events took place in period up to the approval date of these financial statements:

- business mergers;
- termination or adoption of a decision to terminate activity;
- restructuring of the Bank;
- court decisions in favour of the plaintiffs, which could result in substantial financial liabilities of the Bank that are not recognised in the financial statements.

Head of the Management

Chief Accountant



Yulia FROLOVA

Natalia BOCHKOVSKA