

JOINT-STOCK COMPANY BANK ALLIANCE

**Management Report,
Financial statements prepared in accordance with
International Financial Reporting Standards,
Independent Auditor's Report**

31 December 2021

I. Management report

Kyiv

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INTRODUCTION

This Management Report of JOINT STOCK COMPANY BANK ALLIANCE (also referred to as the "Bank" and/or "JSC BANK ALLIANCE") for 2021 has been prepared in compliance with Article 127 of the Law of Ukraine on Securities and the Stock Market, Article 122 of the Law of Ukraine on Financial Services and State Regulation of Financial Services Markets, and the Instruction on the Procedure for Preparing and Disclosing Financial Statements by Ukrainian Banks approved by Resolution No. 373 of the Management Board of the National Bank of Ukraine dated 24 October 2011. The information set out in this Report shall be inspected in compliance with legislative requirements by independent auditor BAKER TILLY UKRAINE LLC.

1. Perspectives for further development of JSC BANK ALLIANCE

Throughout 2021, JSC BANK ALLIANCE has been showing profitable operations, had stable sources of financing. Profits from the Bank's activities have been fully allocated to increase the Bank's authorized capital for the last year in a row, in particular, at the General Meeting of Shareholders held in November 2020, a decision was made to transfer UAH 92 million of profits from previous years to the Bank's authorized capital. The Charter of JSC BANK ALLIANCE in the new version (taking into account the increase in the authorized capital in 2020) was approved by the extraordinary General Meeting of shareholders of JSC BANK ALLIANCE (minute No. 1/2021 dated 26 January 2021) and registered on 18 March 2021 by State registrar. The certificate of registration of the issue of shares with a nominal value of UAH 28.58 for each share was issued by NATIONAL SECURITIES AND STOCK MARKET COMMISSION on 03 June under No. 27/1/2021. In connection with changes in the legislation, the Extraordinary General Meeting of Shareholders of the JSC BANK ALLIANCE (minute No. 3/2021 dated 26 November 2021) approved the Charter of JSC BANK ALLIANCE in a new version that entered into force in 2022.

The bank is characterized by a viable business model, which allows it to demonstrate faster rates of development compared to the banking system as a whole. If at the beginning of the year the Bank ranked only 25th in terms of assets, then as at 01.12.21 it was already 21st, while the Bank's growth rate significantly exceeded the similar indicator for the banking system (+101% versus +9%). The bank remains one of the most profitable on the market (return on assets and equity according to the results of the reporting year amounted to 3% and 49%, respectively).

Corporate lending is the most essential for the Bank in terms of income generation. The Bank expects that, in the medium term, both the corporate and retail loan portfolios will continue to grow across the banking system in general, which is another factor underscoring the correctness of the Bank's choice of this business model.

It is appropriate to conclude that the Bank will continue as a going concern for at least the next (but not limited to) 12 months after the reporting date.

2. Information about the development of JSC BANK ALLIANCE

JSC BANK ALLIANCE is a general-purpose bank with an impeccable reputation that provides a full range of banking services to entities and individuals. In accordance with the Strategy of JSC BANK ALLIANCE for 2021-2023 approved by resolution of the Supervisory Board ("the Board") dated 24 December 2020 (minutes no. 85), the Bank sees its mission in creating favourable conditions underlying development of the Ukrainian economy and stable growth of the gross domestic product, whilst maintaining an optimal balance between the interests of customers, shareholders and the Bank.

The Bank has been operating on the market for more than 29 years (registration certificate, dated 10 March 1992, registered under No. 89 with the State Registers of Banks). The Bank offers the comprehensive service to entities and individuals under the indefinite Banking License No. 97 dated 17 November 2011 for the right to provide banking services defined in paragraph three of Article 47 of the Law of Ukraine on Banks and Banking.

The Bank carries out professional activity on the stock market (securities market):

trade of securities - brokerage and sub-brokerage activities, Licence to Conduct Professional Activity on the Securities Market (brokerage activity) series AE no. 294590 issued by decision of the NSSMC no. 1582 dated 25 November 2014 and effective from 1 December 2014 for an indefinite period; according to decision No.420 of NATIONAL SECURITIES AND STOCK MARKET COMMISSION dated 23 June 2021, from 01 July 2021 sub-brokerage activity became possible;

trade of securities - dealer activity, corresponding license issued by decision No. 387 of the NATIONAL SECURITIES AND STOCK MARKET COMMISSION dated 23 July 2019;

depository activity of a depository institution, corresponding license issued by decision No.387 of the NATIONAL SECURITIES AND STOCK MARKET COMMISSION dated 23 July 2019.

All the above-mentioned licenses of the NATIONAL SECURITIES AND STOCK MARKET COMMISSION are valid and indefinite.

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

As at 1 January 2021, the Bank has a regional network comprising 30 branches represented in those Ukrainian regions and cities that show the highest economic potential.

The ultimate beneficiary of JSC BANK ALLIANCE is Mr. Alexander Sosis, a Ukrainian national, who has acquired a majority interest of 89.289% in the authorised capital of JSC BANK ALLIANCE upon approval by the National Bank of Ukraine in 2016.

JSC BANK ALLIANCE is a principle member of 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.

The Tender Commission of the Ministry of Finance of Ukraine decided, upon examining the documentation and analysing the bank's performance, to recognise JSC BANK ALLIANCE as the authorised bank successful bidder for the right to pay out pensions, cash benefits and salaries to employees of budgetary organisations.

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

Since 29 August 2018, it has been a member of the European Business Association (EBA).

The target group of the Bank comprises corporate customers of micro-, small- and medium-sized businesses. The Bank directs its efforts at forming long-term partnerships with customers, improving their financial well-being and developing the banking services.

The principal activities of the Bank are as follows: loan and deposit operations, cash and settlement services, purchase and sale of currency, securities trading, consultancy and information services, including transactions in the stock and foreign exchange markets. The Bank actively utilises the instruments of the interbank market for the efficient placement (involvement) of temporarily free funds, as well as for the purposes of foreign exchange transactions.

In March 2020, the Bank entered into an agreement with the Entrepreneurship Development Fund, whereby the Bank participates in the state lending program in support of the small- and medium-sized enterprises called "Affordable loans at 5-7-9".

The Bank has signed a Memorandum with the State specifying the general principles of cooperation as far as the implementation of state support of agricultural producers, which contemplates allocation of budgetary funds to support agribusiness. As a result, all borrowers of the Bank can expect to recover up to 70% of the interest rate from agricultural programmes under this memorandum. The Bank believes the agricultural sector to be one of the key sectors of the national economy. In 2020, the Bank continued financing of enterprises operating in agriculture.

JSC BANK ALLIANCE allows to send or receive instant money transfers globally (either with or without opening an account) via international payment systems, such as WesternUnion, MoneyGram, Welsend, both in US Dollars, Euro, Russian rubbles and in the national currency (within Ukraine).

The Bank is actively involved in a number of international lending programmes. The key priorities are projects aimed at supporting the development of the private sector (small-sized business projects), agriculture lending programmes, economic and social infrastructure projects, including energy efficiency projects. On 23 July 2020, the Bank signed 2 agreements on attracting funds from the European Investment Bank ("the EIB") in the implementation of joint projects between the EIB and Ukraine "Ukraine Agri-food apex loan" and "Apex loan project for SMEs and mid-caps". 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, while at least 50 percent of loan proceeds are intended for small and medium-sized enterprises in the agricultural sector. The IFC investment includes a USD 5 million loan from IFC's own account and another EUR 5 million mobilized from the 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.

At the meeting of the Rating Committee On 12 January 2022, the National Rating Agency "Rurik" confirmed the long-term credit rating of JSC BANK ALLIANCE at uaAAA investment category with a stable outlook. The Bank's rating is based on the National Rating Scale.

01 February 2022 S&P GLOBAL RATINGS confirmed the Bank's high credit rating 'B-/B' with a 'STABLE' outlook.

The Bank has won the X ALL-UKRAINIAN CONTEST "BANK OF THE YEAR 2018" in the nomination "BANK WITH THE HIGHEST GROWTH DYNAMICS".

The Bank is a leader in the bank guarantee market within Prozzoro procurement system.

According to PFTS Stock Exchange, JSC "BANK ALLIANCE" was among 20 largest stock market participants / government bond traders by the results of 2021.

The Bank's authorised capital is UAH 457 million and regulatory capital is UAH 973 million as at 1 January 2022. The Bank is 100% compliant with all economic norms and limits applicable to the currency position as established by the National Bank of Ukraine, including the liquidity and capital.

In 2021, the Bank continued its active development. As at 1 January 2022, the Bank's assets reached UAH 11.5 billion (+56% by the results of the year). Current year profit was UAH 331 million. The Bank's growth is planned for (i.e. it fully meets the Bank's development strategy), harmonious (by results of 2016 its total assets grew 2.2 times, by results of 2017 – 2.5 times, by results of 2018 – 2.7 times, and in 2019 – by 63%, in 2020 – 2.1 times) and controllable in terms of risk exposure. The latter is evidenced by an extremely low level of debt.

3. Information about JSC BANK ALLIANCE entering into derivatives or transactions with derivative securities where they affect the valuation of its assets, liabilities, financial position and income or expenses

During the reporting period, JSC BANK ALLIANCE entered into no derivatives or transactions in relation to derivative securities. Accordingly, such transactions had no effect on the valuation of assets, liabilities, financial position and income or expenses of the Bank.

3.1. Financial risk management objectives and policies, including the insurance policy for each major type of projected transactions subject to hedging.

Financial risk objectives and policies are determined by internal regulations: "Risk Management Strategy of JSC BANK ALLIANCE", "Risk Management Policy of JSC BANK ALLIANCE". For more details about the functioning of the Bank's risks management system, refer to section 6.6 – Description of the Key Characteristics of Internal Control and Risks Management System.

3.2. Exposure to significant risks

Taking into account the special nature of its operations and business model, the Bank intends to assume and control the following significant risks to achieve its business objectives:

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

Types of risks that the Bank does not intend to assume and retain to achieve its business goals and for which zero risk appetite is set:

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

Uncertainties affecting the Bank's activities:

The spread of the acute respiratory disease COVID-19, caused by the SARS-CoV-2 coronavirus, the introduction of a number of measures by the state to contain its spread, is an event that affected the Bank's activities in 2020-2021, primarily due to the decline in the business activity of clients and the increase expenses for the organization of operational work.

The Bank is making efforts to identify, manage and mitigate the impact on the results of operations of risks that are the consequences of the COVID-19 pandemic.

As a result of the military aggression of the Russian Federation against Ukraine and the declaration of martial law in Ukraine from 24 February 2022, there have been significant changes in the operational environment in which the Bank conducts its activities, including of a negative nature and faced by the banking sector of Ukraine, in particular:

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

a controlled reduction in the rate of growth of the loan portfolio in comparison with the Bank's Development Strategy due to the strengthening of the credit policy regarding new lending, in particular, in terms of the type of activity and regional presence of the potential borrower, in order to diversify the loan and investment portfolio, including by maintaining a significant share of low-risk domestic government bonds on the Bank's balance;

the deterioration of the financial condition of separate borrowers, the inability of some borrowers to service loans due to the cessation of business operations, the loss of sources of income by individuals due to martial law, which leads to a partial decrease in the quality of the Bank's loan portfolio. In addition, part of the collateral property is located in the temporarily occupied territory, which also negatively affects the assessment of credit risk, but the share of such property in the total amount is insignificant (2.56%);

a decrease in the volume of operating income, which is associated with a decrease in the business activity of clients.

In order to analyze the impact of the risk of revenue shortfall and the Bank's ability to continue its operations under martial law, the Bank's management prepared an updated financial forecast as of the end of May 2022, which shows that the Bank is able to operate on a going concern basis.

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:

- in the first months of the war, funds from the National Bank of Ukraine, attracted under the terms of refinancing, partially replaced the outflow of funds from the deposit and current accounts of clients. Currently, the situation with the outflow of client funds has stabilized (in May, the dynamics of attracting funds is positive), which, including allowed early return of NBU funds;

- in the future, it is planned to further reduce dependence on NBU funds due to the early return of funds, by attracting additional client funds (including as a result of the Bank entering new regions), which is one of the essential assumptions of the Bank when preparing an updated financial forecast, as well as due to partial repayment of the loan portfolio

- The Bank plans another stage of capitalization, namely, the increase of the authorized capital of the Bank at the expense of the profits of previous years, as well as the conversion of funds raised on the terms of subordinated debt in the amount of UAH 216,500 thousand into the Bank's capital, which is definitely evidence of the support of the Bank's Shareholders (Recapitalization measures are planned for the III quarter of 2022).

- The Bank continues cooperation with international financial organizations - for example, during the period 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 Finance Corporation (EUR 5 million and USD 5 million), which the Bank has not yet used.

In connection with the military aggression of the Russian Federation, the Bank strengthened its credit policy in terms of regional and industry risks, borrower profile, as a result of which the pace of lending slowed down, but in terms of structure and quality, it corresponds to the indicators of the Strategy.

The bank is an active participant in government programs. In particular, the Bank takes an active part in the state program of assistance to farmers in carrying out the sowing campaign in 2022, initiated directly by

the Ministry of Agrarian Policy of Ukraine, by financing agricultural producers at the expense of the Bank's own funds. The loan portfolio, secured by the Government's portfolio guarantee, amounts to UAH 300 million.

A stress test of the Bank's credit risk was conducted as of the end of May 2022, the scenarios of which, in particular, include the default of borrowers (property damage, non-payment of interest), a change in the market (fair) value of 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-mentioned indicators by 10%, the costs for the formation of reserves amount to UAH 112,744 thousand. Under the pessimistic scenario, which assumes a deterioration of the above indicators by 20%, the costs for the formation of reserves amount to UAH 255,055,000. It should be noted that the increase in the level of credit risk due to the devaluation of the national currency is partially compensated by the Trading result from the revaluation of foreign currency (the Bank maintains a long currency position), which is one of the essential assumptions of the Bank when preparing an updated financial forecast. The results of the stress test indicate the adequacy of the Bank's capital to cover additional significant risks and do not lead to violations of capital and/or credit risk standards.

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 and interest income (decrease) and the level of administrative and economic expenses (increase), respectively; In the part of Trading profit, the level of income from currency transactions remains extremely low due to the presence of regulatory restrictions on currency transactions; in terms of regulatory bans on transactions with securities, income from OVDP trading is not planned.

Adherence to capital standards - as of the end of May, the Bank complied with both the requirements regarding the minimum level of regulatory capital (the actual amount was UAH 970.2 million), and the standards of capital adequacy H2 (14.02%) and adequacy of core capital H3 (7.01%) of the Bank. Despite this, taking into account the expected expenses for the formation of reserves to cover losses, as well as the increase of the Accounting rate by the National Bank of Ukraine from June 3, 2022, in order to increase the capital adequacy ratio, the Bank plans to increase the authorized capital and, accordingly, equity in the near future, as indicated above.

Compliance with other economic regulations established by the National Bank of Ukraine - as of June 1, 2022, the Bank complied with all regulations, in particular, liquidity and credit risk, with the exception of the L13-1 long currency position limit. At the same time, it should be noted that the Bank maintains a long foreign currency position primarily for the purpose of selling foreign currency to borrowers who have debts in foreign currency and aim to repay the debt (today there are regulatory restrictions on the sale of foreign currency to repay loans exclusively from its own currency position banks), which, in turn, allows to significantly reduce the level of both credit and currency risks.

As of the end of May 2022, 28 branches (out of 30) are operating. During the II-III quarter of 2022, it is planned to open new branches in Western Ukraine, namely in the cities of Ivano-Frankivsk, Lutsk and Rivne.

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. The most significant negative impact of the Russian military aggression on the Bank's financial results in 2022 will be the formation of reserves for expected losses, which is explained by the Bank's extremely conservative approach (applying the principle of caution) to credit risk assessment. The Bank's management, taking into account the expected liquidity indicators, the expected profitable activity, the planned growth of the authorized capital due to the profit of the past years and the subordinated debt, compliance with the regulatory requirements of the National Bank of Ukraine, believes that there are sufficient grounds for preparing this report based on going concern basis. The uncertain impact of the future development of the military invasion on the basis of the above-mentioned essential assumptions underlying the forecasts, the lower level of profitability of the Bank and macroeconomic instability in the state, definitely slow down the pace of implementation of the approved Development Strategy by the Bank.

Because management's estimates and forecasts were based on assumptions and events that have not had analogs in the past, both for the Bank and for the state as a whole, a material uncertainty exists that may cast doubt on the Bank's ability to continue as a going concern.

At the same time, taking into account the implemented and planned measures to strengthen the financial stability of the Bank, 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 key indicators of the Bank's activity, in particular, capital adequacy and liquidity standards, the management has

come to the conclusion that, notwithstanding the above-mentioned factors, which may lead to the emergence of significant uncertainty regarding the Bank's ability to continue as a going concern, there are sufficient grounds for preparing these financial statements on the basis of the going concern principle.

4. Litigations involving JSC BANK ALLIANCE

There is no information about litigations involving the Bank during 2021, which will not be ruled in its favour, with a claimed amount of at least 1% of its assets, or about litigations in which the court's ruling has become effective in the reporting year.

For 2021, there are no lawsuits regarding the provision of financial services by a financial institution.

5. Penalties imposed on JSC BANK ALLIANCE

№	Number and date of the decision imposing the penalty	The body that imposed the penalty	Type of collection	Information about execution
1	Decision №271/БТ dated 12.07.2021	National Bank	Penalty UAH 36 512,00	Paid 15.07.2021
2	Unified banking service agreement, clause.3.14 №14	National Bank	Penalty UAH 340,00	Paid 05.08.2021
3	Decision №503/БТ dated 13.12.2021	National Bank	Penalty UAH 1350000,00	Paid 14.01.2022
4	Decision №504/БТ dated 13.12.2021	National Bank	Penalty UAH 200000,00	Paid 28.01.2022
5	Decision №505/БТ dated 13.12.2021	National Bank	Penalty UAH 26000,00	Paid 28.01.2022

6. Corporate governance report of JSC BANK ALLIANCE

6.1. Corporate Governance Code

The Corporate Governance Code of JSC BANK ALLIANCE contains rules for the Bank to follow in creating, maintaining and improving its corporate governance system, as well as in managing the risks arising from banking activities, strategic planning and implementation of objectives set out in the Charter.

The code is published at the Bank's official website (available at: https://bankalliance.ua/about_bank/corporate_management). The newest version of the Corporate Governance Code was adopted on 26 November 2021 by decision of the General Shareholders Meeting of the Bank (takes into account the requirements for changes in the current legislation, including the introduction of additional requirements for members of the bank's council and management board according to their collective suitability).

The Bank does not apply the corporate governance practice in excess of legislative requirements.

Moreover, the Bank does not apply other corporate governance codes; however, being a member of PFTS STOCK EXCHANGE JOINT STOCK COMPANY, STOCK EXCHANGE PERSPEKTYVA PRIVATE JOINT-STOCK COMPANY and other associations, the Bank adheres to the rules and other documents adopted by respective associations and stock exchanges.

6.2. Compliance with the Corporate Governance Code

The Bank and its employees (including executives) have not deviated from provisions of the Corporate Governance Code of JOINT STOCK COMPANY BANK ALLIANCE in conducting their activities.

6.3. Information about the General Shareholders Meetings

The General Meeting is the supreme management body of the Bank. The competence of the General Meeting and the procedure for preparation and holding the General Meeting are described in the applicable laws of Ukraine, the Bank's Charter and Regulation on the General Shareholders Meeting.

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

Preparation and convocation of General Meetings shall be divided into stages so as to ensure that shareholders have an adequate opportunity to prepare for participation, get a complete notion of the Bank's business and make informed decisions in respect of items on the agenda.

The Bank shall make every reasonable effort to arrange and hold the General Meetings in a manner to ensure that shareholder participation gave no rise to significant expense or time loss, whilst ensuring equal treatment of all shareholders irrespective of the number of shares held and their residence.

The Bank shall disclose the information pertaining to the General Meeting in a manner prescribed by the laws of Ukraine.

The procedure regulating the registration of shareholders for attending the General Meeting, holding and summarising the results shall not hinder the participation of shareholders and their representatives in the General Meetings, and shall guarantee to all attendant shareholders an equal opportunity to discuss the items of the agenda, express their opinions and raise questions of their concern in respect of the items put on the agenda.

There were no facts of convening, but not holding, the Bank's General Meeting of Shareholders in 2021.

General Shareholders Meeting was held on 29 April 2021. The extraordinary general shareholders meetings were convened and held by the Bank on 26 January 2021 and 26 November 2021 at the initiative of the Supervisory Board. While holding the General Meetings during the quarantine, the Bank's administration ensured compliance with the requirements of sanitary legislation, carried out appropriate sanitary and anti-epidemic measures, including in order to comply with biosafety requirements for shareholders and other parties present at the General Meeting. In 2021, no proposals were incoming from anybody in respect of the list of items on the general meeting agenda.

Information about the general shareholders meeting held and general description of resolutions passed at the meeting

Type of the general meeting	Ordinary	Extraordinary
		X
Date of the meeting	26 January 2021	
Quorum constituted at the meeting	91,532456% of the total voting shares	
Summary	<p style="text-align: center;">AGENDA:</p> <ol style="list-style-type: none"> 1. Electing members of the Counting Commission of the General Shareholders Meeting of JSC BANK ALLIANCE. 2. Electing the Chairperson and Secretary of the General Shareholders Meeting of JSC BANK ALLIANCE 3. Approving the agenda of the General Shareholders Meeting of JSC BANK ALLIANCE 4. On the execution of transactions related to the receipt of refinancing loans by JSC "BANK ALLIANCE" from the National Bank of Ukraine 5. Cancellation of the decision of the extraordinary general meeting of the BANK's shareholders regarding amendments to the Charter of the BANK ALLIANCE JOINT STOCK COMPANY and its approval in a new version 6. On making changes and additions to the Charter of the BANK ALLIANCE JOINT STOCK COMPANY and approving it in a new version. <p style="text-align: center;">RESOLUTION PASSED ON THE FIRST ITEM OF THE AGENDA:</p> <p>1.1. The Counting Commission shall be and hereby is elected for the term of office until the General Shareholders Meeting is declared to have ended, in the following composition:</p> <p style="padding-left: 40px;">O.A. Osadcha shall be the Chairperson of the Counting Commission.</p> <p style="padding-left: 40px;">S.Y. Fomicheva and H.V. Tsvietkova shall be the members of the Counting Commission.</p>	

RESOLUTION PASSED ON THE SECOND ITEM OF THE AGENDA:

2.1. Y.M. Frolova, Chairperson of the Board of JSC BANK ALLIANCE, shall be and hereby is elected to act as the Chairperson of the General Meeting and T.S. Shymanska, corporate secretary, shall be and hereby is elected to act as the secretary of the General Meeting.

RESOLUTION PASSED ON THE THIRD ITEM OF THE AGENDA:

3.1. The following rules and procedures of the General Shareholders Meeting of JSC BANK ALLIANCE shall be and hereby approved:

- speeches on the issues of the agenda of the General Meeting, discussions and answers to questions shall take no more than 10 minutes;
- voting on the issues of the agenda of the General Meeting shall take no more than 5 minutes;
- counting the votes cast during the voting shall take no more than 10 minutes, declaring voting results by the Chairperson of the Counting Commission shall take no more than 5 minutes.

Persons who wish to speak and ask questions relating to issues of the agenda shall raise their hands and after the Chairperson has given the floor, a participant of the General Meeting shall speak or ask questions.

Issues relating to taking a recess at a General Shareholders Meeting and changing the sequence of considering issues put on the agenda shall be resolved in the manner set out in the law by show of hands.

RESOLUTION PASSED ON THE FOURTH ITEM OF THE AGENDA:

4.1. To establish for a period of one calendar year from the date of adoption of this decision the maximum possible amount of obligations under the General Credit Agreement in the amount of UAH 3,500,000,000, and in the part of the value of the pool of pledged assets, in the total amount of UAH 8,000,000,000, which is more 50% of the value of the assets of JSC "BANK ALLIANCE" according to the latest annual financial statements. This decision concerns both the amount for a separate application and the total amount of transactions that can be concluded with the National Bank of Ukraine for refinancing operations (including overnight) within the limits of the relevant General Credit Agreement and not repaid by BANK ALLIANCE JSC.

4.2. Authorize the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - the acting Chairman of the Board) to make appropriate changes to the General Credit Agreement by concluding an additional agreement with the National Bank of Ukraine and to conclude transactions related to obtaining refinancing loans from of the National Bank of Ukraine (including overnight), by signing applications for receiving an overnight loan/participating in a liquidity maintenance tender, with the right to provide the Bank's assets (property) to ensure the fulfillment of obligations under the relevant refinancing loans.

4.3. To grant the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - to the acting Chairman of the Board) the right to delegate the powers specified in clauses 4.1 and 4.2 of this decision to conclude transactions with the National Bank of Ukraine to the employees of JSC "BANK ALLIANCE".

RESOLUTION PASSED ON THE FIFTH ITEM OF THE AGENDA:

5.1. To cancel the decision from 26 January 2021 of the extraordinary general meeting of shareholders of the Bank held on 20 November 2020, issued by protocol No. 4/2020 dated 20 November 2020, in the part of the seventh agenda item regarding amendments to the Charter of BANK ALLIANCE JSC and approving it in the new edition.

RESOLUTION PASSED ON THE SIXTH ITEM OF THE AGENDA:

6.1. Make changes and additions to the Charter of the BANK ALLIANCE JOINT STOCK COMPANY and approve it in a new version.

	<p>6.2. To authorize the Chairman of the Board of the BANK Frolova Y.M. for the signing of the new version of the Charter.</p> <p>6.3. The Chairman of the Board of the BANK to perform all necessary actions for the state registration of the new edition of the Charter of the BANK ALLIANCE JOINT STOCK COMPANY with the right of delegation.</p>
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Type of the general meeting	Ordinary	Extraordinary
		X
Date of the meeting	29 April 2021	
Quorum constituted at the meeting	91,532456% of the total voting shares	
Summary	<p style="text-align: center;">AGENDA:</p> <ol style="list-style-type: none"> 1. Electing members of the Counting Commission of the General Shareholders Meeting of JSC BANK ALLIANCE. 2. Electing the Chairperson and Secretary of the General Shareholders Meeting of JSC BANK ALLIANCE 3. Approving the agenda of the General Shareholders Meeting of JSC BANK ALLIANCE 4. Considering the Supervisory Board's Report on activities of JSC BANK ALLIANCE for 2020 and approving the measures to be taken based on results of its consideration. Passing resolutions based on results of considering the Supervisory Board's Report.. 5. Approving the Report on Remuneration to the Supervisory Board for 2020. 6. Considering the findings of the external audit of JSC BANK ALLIANCE for 2020 and approving the measures to be taken based on results of its consideration. 7. Approving the annual report of JSC BANK ALLIANCE for 3a 2020. 8. Distributing profits of JSC BANK ALLIANCE for 2020. 9. Determining the key lines of business of JSC BANK ALLIANCE for 2020. 10. Making changes to the internal regulations and approving them in the new version. 11. termination of the powers of the Chairman and members of the Supervisory Board of BANK ALLIANCE JSC. 12. Electing members of the Bank's Supervisory Board. 13. Electing the Chairperson of the Bank's Supervisory Board 14. Approving terms and conditions of civil law and / or employment agreements (contracts) to be concluded with the Chairperson and members of the Supervisory Board of the Bank, setting the amount of their remuneration, including incentive and compensation payments, electing the person authorised to sign such agreements (contracts). <p style="text-align: center;">RESOLUTION PASSED ON THE FIRST ITEM OF THE AGENDA:</p> <p>1.2. The Counting Commission shall be and hereby is elected for the term of office until the General Shareholders Meeting is declared to have ended, in the following composition:</p> <p style="padding-left: 20px;">O.A. Osadcha shall be the Chairperson of the Counting Commission.</p> <p style="padding-left: 20px;">S.Y. Fomicheva and H.V. Tsvietkova shall be the members of the Counting Commission.</p> <p style="text-align: center;">RESOLUTION PASSED ON THE SECOND ITEM OF THE AGENDA:</p> <p>2.1. Y.M. Frolova, Chairperson of the Board of JSC BANK ALLIANCE, shall be and hereby</p>	

is elected to act as the Chairperson of the General Meeting and T.S. Shymanska, corporate secretary, shall be and hereby is elected to act as the secretary of the General Meeting.

RESOLUTION PASSED ON THE THIRD ITEM OF THE AGENDA:

3.1. The following rules and procedures of the General Shareholders Meeting of JSC BANK ALLIANCE shall be and hereby approved:

- speeches on the issues of the agenda of the General Meeting, discussions and answers to questions shall take no more than 10 minutes;
- voting on the issues of the agenda of the General Meeting shall take no more than 5 minutes;
- counting the votes cast during the voting shall take no more than 10 minutes, declaring voting results by the Chairperson of the Counting Commission shall take no more than 5 minutes.

Persons who wish to speak and ask questions relating to issues of the agenda shall raise their hands and after the Chairperson has given the floor, a participant of the General Meeting shall speak or ask questions.

Issues relating to taking a recess at a General Shareholders Meeting and changing the sequence of considering issues put on the agenda shall be resolved in the manner set out in the law by show of hands.

RESOLUTION PASSED ON THE FOURTH ITEM OF THE AGENDA:

4.1. The Supervisory Board's Report on results of activities of JSC BANK ALLIANCE for 2020 and the measures set out therein shall be and hereby are approved.

4.2. Operations of the Supervisory Board in 2020 shall be and hereby are recognised as satisfactory and consistent with the objective and profiles of the Bank's activities and provisions of its constituent documents.

RESOLUTION PASSED ON THE FIFTH ITEM OF THE AGENDA:

5.1. The Report on Remunerations to members of the Supervisory Board for 2020 is approved.

RESOLUTION PASSED ON THE SIXTH ITEM OF THE AGENDA:

6.1. The Audit Opinion (Independent Auditor's Report) of BAKER TILLY UKRAINE LLC on results of activities of JSC BANK ALLIANCE for 2020 shall be and hereby is taken into account.

6.2. No need shall be and hereby is found to take actions based on results of considering the Audit Opinion (Independent Auditor's Report) as a result of auditing the activities of JSC BANK ALLIANCE for 2020.

RESOLUTION PASSED ON THE SEVENTH ITEM OF THE AGENDA:

7.1. The annual report of JSC BANK ALLIANCE for 2020 shall be and hereby is approved.

RESOLUTION PASSED ON THE EIGHTH ITEM OF THE AGENDA:

8.1. UAH 84,455,883.19 in profits earned from operations of JSC BANK ALLIANCE in 2020 shall be and hereby are distributed as follows:

- a part of the profits of UAH 4,222,089.03 shall be applied towards increasing the reserves of JSC BANK ALLIANCE.
- the remaining UAH 80,223,089.03 in profits shall remain retained.

RESOLUTION PASSED ON THE NINTH ITEM OF THE AGENDA:

9.1. The main areas of activities of JSC BANK ALLIANCE for 2020, set in a separate document, shall be and hereby are approved.

RESOLUTION PASSED ON THE TENTH ITEM OF THE AGENDA:

	<p>10.1. The internal regulation of the Bank shall be approved and published as amended:</p> <ul style="list-style-type: none"> - Regulation on the General Meeting of Shareholders of JSC BANK ALLIANCE; - Regulation on the Supervisory Board of JSC BANK ALLIANCE; - Regulation on the Management Board of JSC BANK ALLIANCE; - Regulation on Remuneration of Members of the Supervisory Board of JSC BANK ALLIANCE. <p>RESOLUTION PASSED ON THE ELEVENTH ITEM OF THE AGENDA:</p> <p>11.1. Powers and authorities of the Chairperson and certain members of the Supervisory Board of JSC BANK ALLIANCE shall be and hereby are terminated:</p> <ul style="list-style-type: none"> - Yuriy Vasylovych Girman (independent member); - Nataliia Serhiivna Bakurova (representative of shareholder O.Y. Sosis); - Mykhailo Mykhailovych Nehrych (independent member); - Andrii Ihorovych Kozlenko (representative of shareholder O.Y. Sosis). <p>11.2. Powers and authorities of the Chairperson and members of the Supervisory Board of JSC BANK ALLIANCE shall be and hereby are deemed as terminated once the General Shareholders Meeting has passed its resolution.</p> <p>RESOLUTION PASSED ON THE TWELFTH ITEM OF THE AGENDA:</p> <p>12.1. The following members of the Supervisory Board of the Bank shall be and hereby are elected for a period of three (3) years:</p> <p>Nataliia Serhiivna Bakurova (representative of shareholder O.Y. Sosis); Mykhailo Mykhailovych Nehrych (independent director); Andrii Ihorovych Kozlenko (representative of shareholder O.Y. Sosis); Mary Volodymyr Yaroslavovycha (independent director, takes office after approval by the National Bank of Ukraine).</p> <p>RESOLUTION PASSED ON THE THIRTEENTH ITEM OF THE AGENDA:</p> <p>13.1. Pavlo Pavlovich Shcherban shall be and hereby elected as the Chairperson of the Bank's Supervisory Board.</p> <p>RESOLUTION PASSED ON THE FOURTEENTH ITEM OF THE AGENDA:</p> <p>14.1. The terms and conditions of civil law and/or employment agreements (contracts) to be concluded with the Chairperson and members of the Supervisory Board, with the indication of the amount of their remuneration, incentive and compensation payments as set out in such agreement (contracts) shall be and hereby are approved.</p> <p>14.2. Y.M. Frolova shall be and hereby is elected as the person authorised to sign agreements (contracts) with the Chairperson and members of the Bank's Supervisory Board.</p>
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Type of the general meeting	ordinary	extraordinary
		X
Date of the meeting	26 November 2021	
Quorum constituted at the meeting	95,550989% of the total voting shares	
Summary	<p style="text-align: center;">AGENDA:</p> <ol style="list-style-type: none"> 1. Electing members of the Counting Commission of the General Shareholders Meeting of JSC BANK ALLIANCE. 2. Electing the Chairperson and Secretary of the General Shareholders Meeting of JSC BANK ALLIANCE. 	

3. Approving the agenda of the General Shareholders Meeting of JSC BANK ALLIANCE.
4. Making changes to the Charter of JSC "BANK ALLIANCE" and approving it in a new edition.
5. Making changes to the internal regulations and approving them in a new edition.
6. Execution of transactions related to the receipt of refinancing loans by JSC "BANK ALLIANCE" from the National Bank of Ukraine.
7. Regarding the establishment of the aggregate maximum limit of investments in certificates of deposit of the National Bank of Ukraine.
8. Regarding the establishment of the aggregate maximum limit of investments in bonds of the domestic state loan.
9. On establishing the maximum conditional amount under the General Agreement on conducting interest rate swap operations.
10. termination of the powers of the Chairman and members of the Supervisory Board of BANK ALLIANCE JSC.
11. election of members of the Supervisory Board of BANK ALLIANCE JSC
12. election of the Chairman of the Supervisory Board of BANK ALLIANCE JSC.
13. Approving terms and conditions of civil law and / or employment agreements (contracts) to be concluded with the Chairperson and members of the Supervisory Board of the Bank, setting the amount of their remuneration, including incentive and compensation payments, electing the person authorised to sign such agreements (contracts).
14. consideration of the Report of BAKER TILLY UKRAINE LLC on the results of the first stage of the bank stability assessment of JSC BANK ALLIANCE as of January 1, 2021.

RESOLUTION PASSED ON THE FIRST ITEM OF THE AGENDA:

1.3. The Counting Commission shall be and hereby is elected for the term of office until the General Shareholders Meeting is declared to have ended, in the following composition:

O.A. Osadcha shall be the Chairperson of the Counting Commission.

S.Y. Fomicheva and H.V. Tsvietkova shall be the members of the Counting Commission.

RESOLUTION PASSED ON THE SECOND ITEM OF THE AGENDA:

2.1. Y.M. Frolova, Chairperson of the Management Board of JSC BANK ALLIANCE, shall be and hereby is elected to act as the Chairperson of the General Meeting and T.S. Shymanska, corporate secretary, shall be and hereby is elected to act as the secretary of the General Meeting

RESOLUTION PASSED ON THE THIRD ITEM OF THE AGENDA:

3.1. The following rules and procedures of the General Shareholders Meeting of JSC BANK ALLIANCE shall be and hereby approved:

- speeches on the issues of the agenda of the General Meeting, discussions and answers to questions shall take no more than 10 minutes;

- voting on the issues of the agenda of the General Meeting shall take no more than 5 minutes;

- counting the votes cast during the voting shall take no more than 10 minutes, declaring voting results by the Chairperson of the Counting Commission shall take no more than 5 minutes.

Persons who wish to speak and ask questions relating to issues of the agenda shall raise their hands and after the Chairperson has given the floor, a participant of the General Meeting shall speak or ask questions.

Issues relating to taking a recess at a General Shareholders Meeting and changing the sequence of considering issues put on the agenda shall be resolved in the manner set out in the law by show of hands.

RESOLUTION PASSED ON THE FOURTH ITEM OF THE AGENDA:

4.1. To make changes to the Charter of the BANK ALLIANCE JOINT STOCK COMPANY and approve it in the new edition.

4.2. To authorize the Chairman of the Board of the Bank, Yuliya Frolova, to sign the Charter in the new version.

4.3. The Chairman of the Bank's Management Board shall perform all necessary actions for the state registration of the new edition of the Charter of the BANK ALLIANCE JOINT STOCK COMPANY with the right of delegation.

RESOLUTION PASSED ON THE FIFTH ITEM OF THE AGENDA:

5.1. The internal regulation of the Bank shall be approved and published as amended:

- Corporate Governance Code of BANK ALLIANCE JOINT STOCK COMPANY;
- Regulation on the General Meeting of Shareholders of JSC BANK ALLIANCE;
- Regulation on the Supervisory Board of JSC BANK ALLIANCE;
- Regulations on the Management Board of the BANK ALLIANCE JOINT STOCK COMPANY.

RESOLUTION PASSED ON THE SIXTH ITEM OF THE AGENDA:

6.1. To establish for a period of one calendar year from the date of adoption of this decision the maximum possible amount of obligations under the General Credit Agreement in the amount of UAH 3,500,000,000, and in the part of the value of the pool of pledged assets, in the total amount of UAH 8,000,000,000, which is more 50% of the value of the assets of JSC "BANK ALLIANCE" according to the latest annual financial statements. This decision concerns both the amount for a separate application and the total amount of transactions that can be concluded with the National Bank of Ukraine for refinancing operations (including overnight) within the limits of the relevant General Credit Agreement and not repaid by BANK ALLIANCE JSC.

6.2. Authorize the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - the acting Chairman of the Board) to make appropriate changes to the General Credit Agreement by concluding an additional agreement with the National Bank of Ukraine and to conclude transactions related to obtaining refinancing loans from of the National Bank of Ukraine (including overnight), by signing applications for receiving an overnight loan/participating in a liquidity maintenance tender, with the right to provide the Bank's assets (property) to ensure the fulfillment of obligations under the relevant refinancing loans.

6.3. To grant the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - to the acting Chairman of the Board) the right to delegate the powers specified in clauses 6.1 and 6.2 of this decision to conclude transactions with the National Bank of Ukraine to the employees of JSC "BANK ALLIANCE".

RESOLUTION PASSED ON THE SEVENTH ITEM OF THE AGENDA:

7.1. To establish the aggregate maximum limit of investments in certificates of deposit of the National Bank of Ukraine in the total amount of UAH 6,000,000,000.00. - at nominal value, without additional consideration of the issue at meetings of collegial bodies of the Bank.

7.2. Authorize the Chairman of the Board of JSC "BANK ALLIANCE" (in case of absence - the acting Chairman of the Board) to perform transactions related to the purchase and/or alienation of NBU certificates of deposit within the limit established by clause 7.1. of this decision, and taking other actions necessary for the execution of such transactions.

7.3. Grant the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - to the acting Chairman of the Board) the right to delegate the tasks specified in clause 7.2. of this decision, the authority to enter into transactions regarding the purchase and/or alienation of NBU certificates of deposit, and the right to issue powers of attorney to employees of BANK ALLIANCE JSC to enter into transactions regarding the purchase and/or alienation of NBU deposit certificates.

RESOLUTION PASSED ON THE EIGHTH ITEM OF THE AGENDA:

8.1. To establish the aggregate maximum limit of investments in domestic state loan bonds in the total amount of UAH 6,000,000,000.00 - at nominal value, without additional consideration of the issue at meetings of the Bank's collegial bodies.

8.2. To authorize the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - to the acting Chairman of the Board) to perform transactions related to the purchase and/or alienation of domestic state loan bonds within the limit established by clause 8.1. of this decision, and taking other actions necessary for the execution of such transactions.

8.3. To grant the Chairman of the Board of JSC "BANK ALLIANCE" (in case of absence - to the acting Chairman of the Board) the right to delegate specified in clause 8.2. of this decision, the authority to enter into transactions regarding the acquisition and/or alienation of a domestic state loan bond, and the right to issue powers of attorney to the employees of BANK ALLIANCE JSC to enter into transactions regarding the acquisition and/or alienation of a domestic state loan bond.

RESOLUTION PASSED ON THE NINTH ITEM OF THE AGENDA:

9.1. To establish the maximum conditional amount under the General Agreement on conducting interest rate swap operations, within which operations are carried out without additional consideration of the issue at meetings of the Bank's collegial bodies in the amount of UAH 6,000,000,000.00, which is more than 50% of the value of the assets of JSC "BANK ALLIANCE" according to the latest annual financial statements.

The conditional amount is the basis of the operation for each transaction.

The total sum of conditional sums of the interest rate swap transaction under all active and unfulfilled agreements with the National Bank of Ukraine cannot exceed the maximum conditional sum of the interest rate swap transaction specified in the contract.

9.2. Authorize the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - the acting Chairman of the Board) to enter into a General Agreement with the National Bank of Ukraine on interest rate swap operations and to perform transactions under this agreement.

9.3. Grant the Chairman of the Board of JSC "BANK ALLIANCE" (in case of his absence - to the acting Chairman of the Board) the right to delegate the powers specified in clause 9.2 of this decision to conclude contracts and perform transactions to the employees of JSC "BANK ALLIANCE".

RESOLUTION PASSED ON THE NINTH ITEM OF THE AGENDA:

10.1. Powers and authorities of the Chairperson and certain members of the Supervisory Board of JSC BANK ALLIANCE shall be and hereby are terminated:

- Pavlo Pavlovich Shcherban (shareholder);
- Mykhailo Mykhailovych Nehrych (independent director);
- Andrii Ihorovych Kozlenko (representative of shareholder O.Y. Sosis).

10.2. Powers and authorities of the Chairperson and members of the Supervisory Board of JSC BANK ALLIANCE shall be and hereby are deemed as terminated once the General Shareholders Meeting has passed its resolution.

RESOLUTION PASSED ON THE ELEVENTH ITEM OF THE AGENDA:

11.1. The following members of the Supervisory Board of the Bank shall be and hereby are elected for a period of three (3) years:

	<p>Pavlo Pavlovich Shcherban (shareholder, accepted by NBU); Mykhailo Mykhailovych Nehrych (independent director); Andrii Ihorovych Kozlenko (representative of shareholder O.Y. Sosis); Valentina Andriivna Kobylyanska (independent director, takes office after approval by the National Bank of Ukraine); Kadyrova Durdona Lukmanivna (independent director, takes office after approval by the National Bank of Ukraine).</p> <p>RESOLUTION PASSED ON THE TWELFTH ITEM OF THE AGENDA: 12.1. Pavlo Pavlovich Shcherban shall be and hereby elected as the Chairperson of the Bank's Supervisory Board.</p> <p>RESOLUTION PASSED ON THE THIRTEENTH ITEM OF THE AGENDA: 13.1. The terms and conditions of civil law and/or employment agreements (contracts) to be concluded with the Chairperson and members of the Supervisory Board, with the indication of the amount of their remuneration, incentive and compensation payments as set out in such agreement (contracts) shall be and hereby are approved. 13.2. Y.M. Frolova shall be and hereby is elected as the person authorised to sign agreements (contracts) with the Chairperson and members of the Bank's Supervisory Board.</p> <p>RESOLUTION PASSED ON THE FOURTEENTH ITEM OF THE AGENDA: 14.1. To take note of the Report of BAKER TILLY UKRAINE LLC on the results of the first stage of the bank sustainability assessment of BANK ALLIANCE JSC as of January 1, 2021. 14.2. Determine that there is no need to take measures based on the results of the review of the Report of BAKER TILLY UKRAINE LLC on the results of the first stage of the assessment of the stability of the BANK ALLIANCE JSC as of January 1, 2021.</p>
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The body that last registered shareholders for participating in the General Shareholders Meeting

	Yes	No
Registration commission appointed by the person who convened the general meeting	X	
Shareholders		X
Depository institution		X
Other (specify)		

The body that controlled registration of shareholders or their representatives for participation in the last general meeting

	Yes	No
The National Securities and Stock Market Commission		X
Shareholders who hold in aggregate more than 10%		X

Manner of voting on items last time put on the agenda of general meeting

	Yes	No
Showing cards		X
Voting bulletins (secret ballot)	X	
Showing hands		X
Other (specify)		

No general shareholders meeting has been held in the form of absentee voting in the reporting year.

6.4. Information about the Board

Composition of the Board

	Number of persons
members of the Board who are shareholders	1
members of the Board who are representatives of shareholders	1
members of the Board who are independent directors	3

Committees comprising the Board

	Yes	No
Audit Committee		X
Appointments Committee		X
Remuneration Committee		X
Other (specify)		

Personal composition of the Board

Given name, patronymic and surname	Position	Independent member	
		Yes	No
Shcherban Pavlo Pavlovich	Chairperson of the Board		X
Mykhailo Mykhailovych Nehrych	Member of the Board	X	
Andrii Ihorovych Kozlenko	Member of the Board		X
Valentina Andriivna Kobylyanska	Member of the Board	X	
Durdona Lukmanivna Kadirova	Member of the Board	X	

Requirements to the members of the Board set out in the Bank's internal documents

	Yes	No
Knowledge of and professional experience in the industry	X	
Expertise in finance and management	X	
Personal qualities (honesty, responsibility)	X	
No conflict of interest	X	
Age qualification		X
Any requirements not available		X
Other (specify)	The Chairperson and/or a member of the Board of the Bank throughout the entire duration of holding relevant positions shall meet the requirements of the law of Ukraine, and independent members shall also meet the requirements for their independence.	

During the last election of a new member of the board, such member has reviewed his or her rights and duties as follows:

	Yes	No
The new member of the Board has independently reviewed the contents of internal documents of the joint stock company	X	
A meeting of the Board has been held to make the new member of the Supervisory Board aware of his or her rights and duties		X

A special training has been arranged for the new member of the Board (dedicated to corporate governance or financial management)	X	
All members of the Board have been re-elected for a new term or no new member has been elected		X
Other (specify)		

Determining the remuneration payable to the members of the Board

	Yes	No
The remuneration is a fixed amount	X	
The remuneration is a percentage of net profits or increased market value of the shares		X
The remuneration is paid in the form of the company's securities		X
Members of the Board receive no remuneration		X
Other (specify)		

— Report on Remunerations to the members of the Board

Terms and conditions for accruing and paying the remuneration

In consideration for the functions and duties fulfilled as a member of the Board, as prescribed by the Regulation on the Remuneration to the Members of the Supervisory Board of JSC BANK ALLIANCE and the Agreement, the Chairperson / member of the Board shall be paid each month a cash remuneration (pay) at the expense of the Bank's funds and in accordance with the cost estimate set out in the Agreement made with the Bank.

The Bank shall pay remuneration in Ukrainian hryvnias, the national currency of Ukraine, by wire transfer of cash to the current account of the Board member specified in the payment details section of the Agreement or in a separate notice (letter) given by the Board member.

The Bank shall pay cash remuneration to:

- Chairperson / members of the Board, with whom an employment agreement (contract) has been made and who are recorded as members of the Bank's staff, twice a month (an advance for the first half of the month is paid on the 16th day of the current month; final settlement for the month is made on the last day of the current month). If the pay day falls on a day-off, holiday or non-working day, the salary shall be paid on the day before. The advance shall be paid to an employee for the period of actual work and calculated as official wage payable to the employee and paid annual leaves for the part of the month until the 16th day.
- Chairperson / members of the Board, with whom civil law agreement (contract) is made, under the procedure and within the time limits set out in such agreement (no later than by the 5th day of the month following after the month of accrual).

Upon paying the remuneration in cash to a Board member, the Bank shall deduct from the remuneration and pay all necessary taxes, duties, mandatory charges required under the laws of Ukraine to be deducted upon paying income to individuals (including, but not limited to, the salary).

Extra pays, raises, bonuses and other benefits payable to a Board member shall be set out in resolution of the Bank's General Shareholders Meeting in compliance with the Regulation on Remuneration to Members of the Supervisory Board.

The Bank may, pursuant to supporting documents, compensate to a member of the Board costs and expenses incurred by him or her in connection with the fulfilment of the functions (works) as a member of the Board, including, but not limited to: business trips, including daily allowances for the time of the business trip and the cost of travel to the place of destination and back, as well costs and expenses for the rent of residential premises, which may be or shall be compensated under the laws of Ukraine.

A member of the Board may be provided with funds for entertainment expenses, including those in foreign currency (if he or she was on a business trip abroad).

Remuneration for 2021

The total amount of salaries (remuneration) paid to members of the Bank's Board in 2021 was UAH 2,949,232.14. The number of recipients in 2021 was 6. No variable remuneration was paid to Board members in 2021.

In 2021, compensations for costs and expenses related to business trips of the Board members was UAH 165,621.31.

No remuneration from legal entities related by control or affiliated have been accrued or paid.

No additional remuneration has been accrued or paid to members of the Board for special services falling outside of the usual functions.

No compensation has been paid to members of the Board in connection with the termination of their activities in 2021.

Shares, options to shares and other financial instruments have not been accrued or paid to members of the Board.

There are no amounts of unpaid deferred remuneration in 2021 for Board members.

There are no amounts of deferred remuneration for previous financial years, paid during the reporting financial year, to members of the Board.

There are no payments to members of the Council made during the financial year during employment.

There are no amounts of severance payments made during the fiscal year to members of the Board.

— *Report on the activities of the Board*

Assessing its composition, structure and activities as collegiate body

The composition of the Board covers all areas of the Bank's activity under the Board's control and meets requirements of the law of Ukraine, and the size, special features of the Bank's activity, nature and volume of banking and other financial services, risk profile of the Bank.

According to the law of Ukraine and the Bank's Charter, the Board comprises five (5) members.

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

In 2021, the composition of the Council changed.

From 1 January 2021 to 19 April 2021 the Board was composed of the following members:

	Position	Full name	
Board	Chairperson of the Board	Yuriy Vasylovych Girman	Independent director
	Member of the Board	Nataliia Serhiivna Bakurova	Representative of the shareholder
	Member of the Board	Volodymyr Vasylovych Kartak	Independent director
	Member of the Board	Mykhailo Mykhailovych Nehrych	Independent director
	Member of the Board	Andrii Ihorovych Kozlenko	Representative of the shareholder

From 20 April 2021 to 29 April 2021 the Board was composed of the following members:

	Position	Full name	
Board	Chairperson of the Board	Yuriy Vasylovych Girman	Independent director
	Member of the Board	Nataliia Serhiivna Bakurova	Representative of the shareholder
	Member of the Board	Mykhailo Mykhailovych Nehrych	Independent director
	Member of the Board	Andrii Ihorovych Kozlenko	Representative of the shareholder

On 29 April 2021 the Annual General Meeting of Shareholders of JSC "BANK ALLIANCE" (Minutes No. 2/2021) adopted a decision to elect members of the Board for a term of 3 (three) years:

	Position	Full name
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Board	Chairperson of the Board	Pavlo Pavlovych Shcherban	Shareholder (takes office after approval of his candidacy by the National Bank of Ukraine)
	Member of the Board	Nataliia Serhiivna Bakurova	Representative of the shareholder
	Member of the Board	Mariy Volodymyr Yaroslavovych	Independent director (takes office after approval of his candidacy by the National Bank of Ukraine)
	Member of the Board	Mykhailo Mykhailovych Nehrych	Independent director
	Member of the Board	Andrii Ihorovych Kozlenko	Representative of the shareholder

From 28 May 2021 the Board was composed of the following members:

Board	Position	Full name	
	Chairperson of the Board	Pavlo Pavlovych Shcherban	Shareholder (takes office after approval of his candidacy by the National Bank of Ukraine)
	Member of the Board	Nataliia Serhiivna Bakurova	Representative of the shareholder
	Member of the Board	Mykhailo Mykhailovych Nehrych	Independent director
	Member of the Board	Andrii Ihorovych Kozlenko	Representative of the shareholder

Starting from 28 August 2021 (the date of receipt of the notification regarding the approval of the Chairman of the Board- Pavlo Pavlovych Shcherban by the National Bank of Ukraine), the Council was made up of 4 people, including 1 independent director:

Board	Position	Full name	
	Chairperson of the Board	Pavlo Pavlovych Shcherban	Shareholder
	Member of the Board	Nataliia Serhiivna Bakurova	Representative of the shareholder
	Member of the Board	Mykhailo Mykhailovych Nehrych	Independent director
	Member of the Board	Andrii Ihorovych Kozlenko	Representative of the shareholder

From 08 October 2021 to 26 November 2021 the Board was composed of the following members:

Board	Position	Full name	
	Chairperson of the Board	Pavlo Pavlovych Shcherban	Shareholder
	Member of the Board	Mykhailo Mykhailovych Nehrych	Independent director
	Member of the Board	Andrii Ihorovych Kozlenko	Representative of the shareholder

On 26 November 2021 the general meeting of shareholders of JSC "BANK ALLIANCE" (minutes No. 3/2021) adopted a decision to elect members of the Board for a term of 3 (three) years.

Board	Position	Full name	
	Chairperson of the Board	Pavlo Pavlovych Shcherban	Shareholder

Member of the Board	Andrii Ihorovych Kozlenko	Representative of the shareholder
Member of the Board	Mykhailo Mykhailovych Nehrych	Independent director
Member of the Board	Durdona Lukmanivna Kadirova	Independent director (takes office after approval of her candidacy by the National Bank of Ukraine)
Member of the Board	Valentina Andriivna Kobylyanska	Independent director (takes office after approval of her candidacy by the National Bank of Ukraine)

Independent members of the Council, Durdona Lukmanivna Kadirova and Valentina Andriivna Kobylyanska, took office in 2022 after their candidacies were approved by the National Bank of Ukraine.

The Board is a collegial body that protects the rights of depositors, other creditors and shareholders of the Bank within the competence defined by this Statute and the requirements of the law. The Board of the Bank does not participate in the current management of the Bank, but exercises control over the management of the Bank, as well as controls and regulates the activities of the Management Board.

The Board acts on the basis of the requirements of the legislation, the Charter, the Regulation on the Bank Board, which is approved by the General Meeting. The issue of convening, carrying out and making decisions by the Board is regulated by the requirements of the legislation, the Charter, the Regulations on the Bank's Board.

Upon conducting its operations, the Board shall be governed by the Law of Ukraine on Banks and Banking, the Law of Ukraine on Joint Stock Companies, laws of Ukraine, regulations of the National Bank of Ukraine, Bank's Charter and Regulation on the Supervisory Board of JSC BANK ALLIANCE.

The competence of the Board is determined by the law of Ukraine, the Bank's Charter and the Regulation on the Supervisory Board of JSC BANK ALLIANCE.

The General Meeting may decide that the Board shall be delegated with powers and authorities falling within the competence of the General Meeting, other than those which, under the laws of Ukraine, fall within the exclusive competence of the General Meeting.

Members of the Board have the rights to (but not limited to):

- To participate in meetings of the Management Board;
- To receive complete, accurate, and timely information relating to the Bank as necessary to perform their functions. To review documents of the Bank, receive copies of them, as well as copies of documents of the structural units of the Bank.
- To demand convening of extraordinary meetings of the Board.

Members of the Board have the following obligations (but not limited to):

- To act in the Bank's interests in good faith, reasonably and honestly, without exceeding their authority. The obligation to act in good faith and reasonably means the necessity to exhibit honesty, prudence and due diligence that a person would have otherwise exhibit in such a position under similar circumstances.
- To be guided by and adhere to the current legislation of Ukraine, the Charter of the Bank, the Regulation on the Supervisory Board of JSC BANK ALLIANCE and other internal documents of the Bank.
- To implement the decisions passed by the General Meeting and the Board of the Bank.
- To participate in person in the regular and extraordinary General Meetings, in the meetings of the Board and in the work of the committees of the Board (it is forbidden to transfer one's powers to another person). To inform in advance about the inability to participate in the meetings of the Board, while indicating the reason for absence.
- To adhere to the rules and procedures established by the Bank for entering into transactions in which there is an interest (conflict of interest), significant transactions and related party transactions.
- To adhere to all the rules established by the Bank concerning the circulation, security and storage of restricted information.

- To not disclose the banking and trade secrets, confidential and insider information that has become known in connection with the performance of the Board member's functions, to individuals who do not have access to such information.
- To notify the Board of the loss of the Bank's shareholder status immediately (within one business day from the moment of losing the status of the Bank's shareholder) .
- To provide the Bank with the information about themselves and their related parties timely and in full, which in accordance with the requirements of the law of Ukraine is submitted to the National Bank of Ukraine, the National Securities and Stock Market Commission and other government agencies, and to notify the Bank of any changes in the submitted information within 5 business days from the date of such changes.
- The Supervisory Board members cannot be members of the Management Board of the Bank. They cannot hold any other positions in the Bank under an employment contract or render any services to the Bank under a civil contract.

The organisational form of the Board's work shall be a meeting. The Board meetings shall be held where necessary but at least once a quarter. The meeting of the Board for the next year shall be planned and approved by the Board in advance. Meetings of the Board shall be convened at the initiative of the Chairperson of the Board or at the request of one of the members of the Board, control units, the Chairperson of the Management Board, one of the members of the Management Board or the National Bank of Ukraine.

In total, in 2021, the Board held 98 meetings.

Among the matters considered at the meetings of the Board during 2020, and for which the Board has passed decisions, were the following:

- approval of the Bank's Strategy
- approval of the Work Plans of the Board and the Internal Audit Service of the Bank for 2021
- approval of the budget of the Bank, the Supervisory Board and control units for 2021;
- audit findings obtained by the Internal Audit Service
- control over operations of the Management Board (reports on the implementation of budgets, strategies, target indicators, performance of tasks set by the Board, risks);
- consideration of reports on the compliance risk and internal control system of the Bank;
- consideration of management reports relating to the risk positions;
- decisions on certain financial monitoring matters;
- decisions on convening, arranging and holding of general meetings of shareholders;
- approval of limits of decision-making powers;
- active operations that belong to the competence of the Board;
- approval of the Bank's internal documents that fall within the competence of the Management Board;
- approval of the organisational structure of JSC BANK ALLIANCE;
- approval of the personal distribution of functions and powers of the Chairperson and members of the Supervisory Board, corporate secretary, heads of control units of JSC BANK ALLIANCE;
- approval of the personal distribution of powers and powers of the Chairperson and members of the Management Board;
- authorisation of significant transactions;
- changes in the composition of the Management Board, other appointments;
- establishment and opening of branches;
- approval of securities-related matters
- other matters.

Furthermore, the Board passed decisions on other matters falling within the competence of the Board in 2021.

In addition, during 2021 the Board of the Bank periodically reviewed and monitored:

- 1) the implementation of: the Bank's strategy and business plan; remuneration policy; recovery plans for the Bank's operations, crisis financing of the Bank, ensuring continuing operation of the Bank;
- 2) the compliance with: the Bank's Code of Conduct (Ethics); mechanism for confidential communication of unacceptable behaviour in the Bank; budget and planned performance indicators of the Bank; procedure for conducting transactions with parties related to the Bank; policies for the organisation of the internal control system in the Bank; risk appetite statements, risk management strategies, risk management policies; policies to prevent, detect and manage conflicts of interest; the procedure for identifying, evaluating

and electing candidates as members of the Board / Management Board of the Bank; regulation on the corporate governance organisation in the Bank; regulations on the committees of the Board of the Bank, on the Management Board of the Bank, on the committees of the Management Board of the Bank, on the control units; the procedure for cooperation with outsourcers;

3) the execution of: the procedure for the organisation of functions on risk management, non-performing assets, compliance and internal audit in the Bank; procedures for assessing the performance of the Supervisory Board and the Management Board as a whole, each individual member of the Supervisory Board and the Management Board of the Bank, committees of the Board and the Management Board, control units, assessment of compliance of members of the Supervisory Board and the Management Board, head of the internal audit with qualification requirements, collective suitability assessments of the Supervisory Board and the Management Board of the Bank;

4) the efficiency of: the Bank's organisational structure; internal control, including that of the risk management systems; forms and procedure for submitting management reports.

All meetings of the Board shall be deemed as competent if all of them were attended by at least a half of all members of the Board. All decisions shall be made within the powers and authorities defined and set out in the Bank's Charter and Regulation on the Supervisory Board of JSC BANK ALLIANCE.

Assessing the competence and efficiency of each member of the board, including information relating to their activities as an officer with other legal entities or other activities, whether paid or not.

Candidates nominated for election as members of the Board shall have an impeccable business reputation.

All members of the Bank's Board shall have higher education and professional experience in the industries necessary for making efficient decisions relating to key areas of the Bank's activities.

All members of the Bank's Board shall at all times improve their knowledge, professional skills and managerial expertise by participating in such professional events as annual forums, dedicated seminars; conferences, etc.

The Board members shall meet the requirements of the law of Ukraine with regard to the Bank manager's business reputation and professional suitability, jointly have the knowledge, managerial and professional experience necessary for the Bank's Board to exercise their powers and authorities, understanding properly the spheres in which the Bank operates, and also have experience and skills to manage the Bank efficiently (risk management, finances, retail and corporate business, information technologies, investment activities, and corporate governance).

The Board members have no conflicts of interests. Sufficient time is available to fulfil functions, subject to duties of each of the Board members. All of the Board members have impeccable business reputation. Members of the Supervisory Board act in compliance with the standards of business practice and professional ethics.

The Board operates efficiently due to a high level of organisational work, optimal frequency of meetings and sufficient time being available for Board members to perform their duties efficiently. At the Board meetings, a lot of time is dedicated to discussing issues, including the analysis of the Bank's current financial position and development strategy.

The Board's activities have achieved an efficient interaction between the Supervisory Board and Management Board of the Bank and, as a result, financial / management reports meet the completeness, timeliness and understandability requirements, and there is an availability of necessary internal documents, efficient protection interests of shareholders, depositors and other participants of corporate relations.

Assessing the competence of each member of the Supervisory Board

The competence shall be understood as having sufficient level of knowledge, skills, professional and managerial experience among the Board members enabling them to resolve tasks successfully, make prudent decisions and ensure efficient control over the Bank's activities, the approved Development Strategy of the Bank, while taking into account the functions assigned.

Assessment of sufficiency of knowledge (education) among members of the Bank's Board

Main activities of the Bank	Pavlo Shcherban	Andrii Kozlenko	Mykhailo Nehrych	Durdona Kadirova	Valentina Kobylyanska
	knowledge (education)				
Risks management	X	X	X	X	X
Banking	X	X	X	X	X
Business Economics	X				X
Management		X	X		X
Jurisprudence		X	X		
Finance	X	X	X	X	X
Retail and corporate business	X			X	X
Security					
Information technology					
Investment activities	X			X	X
Treasury	X				
Corporate governance	X	X	X	X	X
	Management experience				
Risks management		X	X	X	X
Compliance		X	X		
Legal activity		X			
Financial monitoring		X	X		
Audit		X	X		
Finance	X	X	X	X	X
Banking sector	X	X	X		
Retail and corporate business		X	X	X	X
Security			X		
Information technology					
Investment activities	X		X	X	
Treasury	X	X	X		
Corporate governance		X	X	X	X

	professional experience				
Risks management		X	X	X	X
Compliance		X	X		
Legal activity		X			
Financial monitoring		X	X		
Audit		X	X		
Finance	X	X	X	X	X
Banking sector	X	X	X	X	X
Retail and corporate business	X	X	X	X	X
Security			X		
Information technology	X				
Investment activities	X		X	X	
Treasury	X	X	X		
Corporate governance	X	X	X	X	X

The sufficient level of knowledge, skills, professional and managerial experience of the Board members will enable the Board to resolve tasks successfully, make better decisions and ensure efficient control in relation to the Bank's activities, subject to the functions assigned.

In compliance with Article 42 of the Law of Ukraine “On Banks and Banking Activities”, the Regulation on Bank Licensing approved by Resolution of the NBU No. 149 dated 22 December 2018, the Methodical Recommendations for Corporate Governance in Ukrainian banks approved by Decision of the Management Board of the NBU No. 814-р/III dated 3 December 2018, the Bank has carried out an annual compliance assessment of the Bank’s Board members for compliance with the law of Ukraine, while the independent director was assessed for compliance with independence requirements.

As a result of the compliance assessment, it was concluded that the Board members comply with the legislative requirements and independent directors comply with independence requirements.

Assessing the independence of each independent member of the Board.

Independent members of the Bank’s Board:

Member of the Board	Mykhailo Mykhailovych Negrych
Member of the Board	Durdona Lukmanivna Kadirova
Member of the Board	Valentina Andriivna Kobylanska

All independent members of the Bank's Board meet the requirements set out in article 53-1 of the Law of Ukraine on Joint Stock Companies in relation to the independence, so that they are members of the Board who are not exposed to any influence by other persons upon making their decisions and discharging duties of an independent member of the Board.

Assessing the competence and efficiency of each member of the Board committees, including, in particular, information relating to a list and personal composition of the committee, their functional powers and authorities, number of held meetings and description of key issues addressed by the committees

Committees of the Board in 2021 have not been created and are absent.

In order to strengthen the mechanisms of checks and balances, in 2022 the Bank plans to create an audit committee and a remuneration committee under the Supervisory Board, which will not include the Chairman of the Bank's Supervisory Board.

Evaluation of the Board's performance of the set goals:

During 2021, in its activities, the Board acted on the basis of the Regulations 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, including :

- protection of the rights of depositors, other creditors and shareholders of the Bank;
- control over the security and financial stability of the Bank;
- implementation of the Bank's development strategy for 2021-2023 in accordance with the main areas of activity determined by the general meeting of the Bank and the Bank's business development plan for 2021-2030;
- control over the implementation of the Strategy of BANK ALLIANCE JSC for 2021-2023;
- control over the achievement of the planned financial indicators of the Bank's activity in 2021;
- ensuring strategic management of the Bank;
- compliance of the Bank's activities with legislation, standards of professional associations, the effect of which applies to the Bank;
- ensuring effective organization of corporate management;
- for creating a comprehensive, adequate and effective risk management system that the Bank is exposed to in its activities;
- for creating and ensuring the functioning of an effective problem assets management process in the Bank.

For the purpose of effective management of the Bank, during 2021, the Board held regular meetings with the chairman and members of the Bank's Management Board, heads of control units to discuss and make decisions aimed at the realization of both short-term and long-term goals and based on the results of a 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 dated 03.12.2018 No. 814-rsh "On the approval of Methodological recommendations on the organization of corporate governance in banks of Ukraine", an assessment (self-assessment) was carried out based on the results of the activities of the Board, of its members for 2021.

According to the results of the conducted self-assessment of the Board, in general, the effectiveness of the activities of the Board, as a management body, of its members is assessed at a fairly high level.

6.5. Information about the executive body

In accordance with the Charter of JSC BANK ALLIANCE, the executive body of the Bank is the Management Board.

As provided in clause 14.3 of the Bank's Charter, the Management Board shall consist of at least three (3) members: the Chairperson, Deputy Chairpersons and members of the Management Board appointed by the Board of the Bank.

the end of 2021, the Bank's Management Board consisted of five (5) members:

1. Yuliia Mykolaivna Frolova, Chairperson of the Management Board, started discharging her duties with effect from 29 December 2018
2. Viktor Hryhorovych Burkytsia, Deputy Chairperson of the Management Board, started discharging his duties with effect from 8 December 2017 (transferred to the position of First Deputy Chairman of the Board on May 18, 2021)
3. Oleksandr Oleksandrovych Chumak, Deputy Chairperson of the Management Board, member of the Management Board started discharging his duties with effect from 3 December 2020.
4. Vitalii Volodymyrovych Paliura, Deputy Chairperson of the Management Board, member of the Management Board, started discharging his duties with effect from 2 December 2020.
5. Serhii Viktorovych Bocharov, Deputy Chairperson of the Management Board, member of the Management Board, started discharging his duties with effect from 4 January 2021.

Changes in the composition of the Management Board during 2021:

Deputy Chairman of the Management Board, member of the Management Board Serhii Viktorovych Bocharov, began his duties on January 4, 2021

The powers of the Director of Analysis and Programs for the Development of Agribusiness, as a member of the Management Board, Moiseenko Kostyantyn Vasyliovych, a member of the Management Board, were terminated on April 28, 2021.

On 28/04/2021, the First Deputy Chairman of the Management Board, Shcherban Pavlo Pavlovich, was dismissed and his powers as a member of the Management Board were terminated (on 29/04/2021, he was elected chairman of the Supervisory Board).

The powers of Chief Accountant Nataliya Anatoliivna Bochkovskaya as a member of the Management Board were terminated on May 20, 2021.

The employee responsible for financial monitoring, a member of the Management Board, Olha Oleksandrivna Laktionova was dismissed on 22/06/2021 and her powers as a member of the Management Board were terminated.

On July 8, 2021, the Deputy Chairman of the Management Board, a member of the Management Board Oleksandr Vasyliovych Kruk was dismissed and his powers as a member of the Management Board were terminated.

Information about meetings held

The operation of the Management Board shall be organised through meetings. The Management Board meetings shall be held in the form of a joint presence of the Management Board members at a designated place for discussing and voting on the matters put on the agenda.

Decisions of the Management Board shall be made by a simple majority vote of the members attending the meeting. In the case of a tie vote, the Chairperson of the Management Board (or the persons who acts for him or her) shall have a casting vote.

During the voting, the Chairperson and each member of the Management Board shall have one vote. Any Management Board member shall have no right to transfer his/her vote to any other person.

A Management Board member who does not agree with decisions passed at the meeting shall be entitled, no later than in two business days from the meeting date, to put in writing and provide his or her comments to the Chairperson of the Management Board.

If there is no consent with the decision of the Management Board, the Chairperson of the Management Board shall be entitled to refer the discussed issue to the Bank's Board. If so, the Board's decision shall be final.

The Management Board shall pass its resolutions independently from personal interests of members of the Management Board. The decisions made by the Bank's Management Board shall take into account all interests of the shareholders, the Bank and its depositors.

Meeting minutes shall be kept at meetings of the Management Board and finally executed by the Secretary of the Management Board.

The minutes of the Board meeting are signed by the Chairman of the Board (or a person performing his duties) and the Secretary of the Board, the correctness of the counting of voting results is confirmed by the signatures of all members of the Board.

Summary of resolutions passed

During 2021, the Bank's Management Board has held 95 meetings and passed resolutions for:

- approving the Bank's internal documents that fall within the competence of the Management Board;
- making decisions to approve asset-side transactions falling within the competence of the Management Board;
- setting up committees, working groups, making changes to their composition;
- reviewing reports of structural units, committees of the Bank's Management Board on the works performed;
- changes in the organisational chart and staff arrangement of the Bank;
- limiting powers and authorities of the credit committee for certain officers making decisions on their own;
- considering reports on results of monitoring the internal control system and compliance

- risks;
- rewarding the Bank's employees;
- considering preliminarily the Bank's draft budgets, strategies and development business plans;
- approving the measures to be taken based on reports issued by the Internal Audit Service;
- approving a package of main reports to the interim financial report, etc.;
- reviewing management reports on the status of the main types of risk;
- approving limits on REPO transactions;
- other organisational issues.

All meetings of the Management Board shall be deemed as competent if all of them were attended by at least a half of all members of the Management Board.

All decisions of the Management Board shall be made within the powers and authorities defined and set out in the Bank's Charter and Regulation on the Management Board.

Executive Body's Report

Composition of the executive body	Functional duties
<p>At the end of 2021, the Bank's Management Board was composed of:</p> <ol style="list-style-type: none"> 1. Yuliia Mykolaivna Frolova, Chairperson of the Management Board; 2. Viktor Hryhorovych Burkytsia, First Deputy Chairperson of the Management Board; 3. Oleksandr Oleksanrovych Chumak, Deputy Chairperson of the Management Board and member of the Management Board; 4. Vitalii Volodymyrovych Paliura, Deputy Chairperson of the Management Board and member of the Management Board; 5. Serhii Viktorovych Bocharov Deputy Chairperson of the Management Board. 	<p>The competence of the Management Board, in particular (but not limited to), shall include the resolution of all issues related to the management of the day-to-day operations of the Bank, except for issues related to the exclusive competence of the General meeting and the Board of the Bank:</p> <ul style="list-style-type: none"> - preparation of the draft budget, strategy and business development plan of the Bank for approval by the Board of the Bank; - implementation of the strategy and business plan of the Bank; - determination of the form and establishment of the procedure for monitoring the Bank's activities; - implementation of the risk management strategy and policy approved by the Board of the Bank, ensuring the implementation of risk identification, assessment, control and monitoring procedures; - formation of the organisational structure of the Bank determined by the Board of the Bank; - development of regulations governing the activities of structural and separate divisions of the Bank in accordance with the development strategy of the Bank; - approval of internal documents of the Bank, except for those referred to the competence of the General Meeting and the Board of the Bank; - security of the Bank's information systems and systems used to store the assets of clients; - informing the Board of the Bank about the Bank's performance, revealed violations of the current legislation of Ukraine, internal regulations of the Bank and any deterioration in its financial position or potential deterioration, the level of risks arising in the course of business; - organisation of implementation of decisions of the Board and the General meeting of the Bank; - preliminary consideration of all issues that are subject to consideration by the General meeting or the Board of the Bank according to the Charter, preparation of relevant materials and proposals on these issues;

	<ul style="list-style-type: none"> - approving the list of records constituting commercial secrets and confidential information with respect of the Bank's activities, defining the procedure for use and protection thereof. Implementation of the Bank's mode of work with information with restricted access, in particular on the maintenance of Bank secrecy, trade secrets and confidential information; - resolution of issues on the current management of the Bank, its separate divisions, ensuring performance of the tasks assigned to them and observance of the General budget (estimate) of Bank; - ensuring development of the strategy for managing non-performing assets and operational plan, ensuring implementation of the strategy for managing non-performing assets and operational plan; - making decisions on write-off of financial instruments and accounts receivable from the Bank's balance sheet against reserves charged, as well as fixed assets or other assets within the authority established by the Board; - approval of the staff schedule and its changes within the budget approved by the Board; - approval of the staff of the regular boards/committees, commissions of the Bank, appointment of their heads and deputy heads, and resolution of organisational issues on their activities in accordance with the regulations approved by the Management Board; - resolution of issues related to the management of the Bank's day-to-day operations, except for matters within the exclusive competence of the General meeting and the Board of the Bank.
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Composition of the Management Board of JSC BANK ALLIANCE and its changes in 2021

<i>Full name</i>	<i>Position</i>	<i>Decision of the Board for appointment / election</i>	<i>Decision of the Board for termination of powers / removal from office</i>
Yuliia Mykolaivna Frolova	Chairperson of the Management Board	Minutes No. 105, dated 31 October 2018	-
Pavlo Pavlovych Shcherban	First Deputy Chairperson of the Management Board	Minutes No. 54, dated 01 June 2018	Minutes No. 2, dated 10 January 2019 (reassignments)
		Minutes No. 2, dated 10 January 2019	-
Viktor Hryhorovych Burkytsia	Deputy Chairperson of the Management Board, member of the Management Board	Minutes No. 94, dated 07 December 2017	Minute No. 36 dated 18 May 2021 (reassignments)
Kruk Oleksandr Vasyliovych	Deputy Chairperson of the Management Board, member of the Management Board	Minutes No. 9, dated 05 February 2019	Minute No. 50 dated 08.07.2021 (dismissal, termination of powers)
Oleksandr Oleksanrovych Chumak	Deputy Chairperson of the Management Board, member of the Management Board	Minutes No. 78, dated 01 December 2020	-

Vitalii Volodymyrovych Paliura	Deputy Chairperson of the Management Board, member of the Management Board	Minutes No. 78, dated 01 December 2020	-
Nataliia Anatoliivna Bochkovska	Chief Accountant and member of the Management Board	Minutes No. 71, dated 28/12/2015	Minute No.37 dated 20.05.2021 (termination of powers)
Kostiantyn Vasylovych Moiseienko	Director of Agribusiness Analysis and Development Programmes and member of the Management Board.	Minutes No. 8, dated 06 February 2020 (reassignments)	Minute No.32 dated 28.04.2021 (termination of powers)
Olha Oleksandrivna Laktionova	Head of Financial Monitoring and member of the Management Board	Minutes No. 107, dated 02 November 2018	Minute No.46 dated 22.06.2021 (dismissal, termination of powers)
	Compliance Officer for Financial Monitoring and member of the Management	Minutes No. 52, dated 11 August 2020 (reassignments)	
Serhiy Viktorovych Bocharov	Deputy Chairman of the Board, member of the Board	Minute No. 85 dated 24.12.2020	-

Assessing the composition of the Management Board.

All of the members of the Bank's Management Board have higher education and meet the qualification requirements for business reputation and professional suitability.

The Management Board members have no conflicts of interests.

Each member of the Management Board has enough time to perform his or her functions as assigned.

The Management Board members have skills to defend their views and to influence the collective decision-making process, and can efficiently oversee the resolutions passed by the Bank's Management Board and their implementation.

All members of the Management Board have impeccable business reputation characterised by the absence of material and/or systematic violations of the laws related to banking, foreign exchange, taxation, financial services, financial monitoring, securities, joint stock companies and stock exchange, the absence of failures to comply with financial obligations, and by the fact that activities of the Management Board members meet the standards of business and professional ethics.

Assessing the composition and efficiency of the Management Board.

The competence shall be understood as Management Board members having a sufficient level of knowledge, skills, professional and managerial experience enabling to resolve tasks successfully, make better decisions and ensure that efficient control is in place in relation to the Bank's activities in general, subject to the functions and tasks assigned to the Management Board.

The Management Board jointly have the knowledge, managerial and professional experience necessary for the Bank's Management Board to exercise their powers and authorities, to understand properly the lines of the Bank's business, and also have experience and skills to manage the Bank efficiently, including, but not limited to: risk management, control over the compliance with rules (compliance), corporate governance, financial accounting and reporting, information technology and safety management, managing the Bank's business (all lines of business), strategic planning, non-performing asset management, investment activities, treasury and professional discussion of issues pending resolution.

The sufficient level of knowledge, skills, professional and managerial experience of the Board members will enable the Bank's Management Board to resolve tasks successfully, make better decisions and ensure that efficient control is in place in relation to the Bank's activities in general, subject to the functions assigned to the Management Board.

Activities of the Bank's Management Board resulted in positive changes in financial and commercial activities of the Bank for 2021.

Key indicators of financial and business activities of the Bank in 2021

Item	Reporting year	Previous year
1	2	3
Total assets	11 483 252	7 352 039
Loans and advances to customers	3 906 928	3 008 781
Due to customers	7 697 311	5 181 466
Equity	913 102	582 043

Item	Reporting year	Previous year
1	2	3
Net operating profit	1 103 521	614 042
Profit before tax	403 984	103 682
Profit	331 059	84 456

Therefore, the total growth of funds due to customers based on results of 2021 amounted to UAH +2,516 million, whilst the loan portfolio grew by UAH +898 million and net assets grew by UAH +4,131 million.

A significant increase in balance sheet items, expansion of the network of branches and the range of services provided, improvement of the quality of settlement and cash service for customers made it possible to increase the Bank's net operating profit by UAH 490 million.

Financial results of activities in 2021 show that the Bank's executive body has been successfully operating and give significant certainty that the Bank will accomplish the strategic goals set for 2021-2022.

Report on remunerations to the members of the executive body

Terms and conditions for accruing and paying the remuneration

In consideration for the functions and duties fulfilled as a member of the Bank's Management Board and set out in the Regulation on the Remuneration to the Members of the Management Board, the Chairperson / member of the Bank's Management Board shall be paid each month a cash remuneration (pay) at the expense of the Bank's funds and in the amount set out in the cost estimate set out in the Agreement made with the Bank.

A salary payable to a member of the Management Board for a month worked shall be paid together with the salary payable to all other categories of the Bank's employees for the relevant period pursuant to applicable laws of Ukraine.

The Bank shall pay the remuneration in Ukrainian hryvnias, national currency of Ukraine, by wire transfer of funds to the current account of the Management Board member as indicated in the payment details section of the Agreement.

The Bank shall pay the remuneration in cash twice a month:

- on the 16th day of the current month – an advance for the first half of the month;
- on the last days of the current month – final settlement for the month.

If the pay day falls on a day-off, holiday or non-working day, the salary shall be paid on the day before. The advance shall be paid to an employee for the time actually worked and calculated as official wage payable to the employee and paid annual leaves for the part of the month until the 16th day.

Cash remuneration shall be paid to members of the Bank's Management Board in compliance with the requirements set out in the Regulation on the Procedure for Accruing, Keeping Records of and Paying Salaries in JSC BANK ALLIANCE.

Extra pays, raises, bonuses and other benefits shall be paid to Management Board members, including in compliance with the Regulation on the Remuneration to the Members of the Management Board and the Regulation on Rewarding and Extra Pays to Employees of JSC BANK ALLIANCE.

The Bank may, pursuant to supporting documents, compensate to a member of the Bank's Management Board the costs and expenses incurred by him or her in connection with the fulfilment of the functions (works) as a member of the Bank's Management Board, including, but not limited to: business trips, including daily allowances for the time of the business trip and the cost of travel to the place of destination and back, as well

costs and expenses for the rent of residential premises, the compensation of which is explicit or implicit in the laws of Ukraine.

A member of the Bank's Management Board may be provided with funds for entertainment expenses, including those in foreign currency (if he or she was on a business trip abroad).

All contracts made with members of the Bank's Management Board shall be for indefinite period.

If the Contract is terminated, the Bank shall make settlements with the member of the Bank's Management Board as of the date of removal in relation to the salary, warranted, compensatory and other benefits.

Remuneration for 2021

Salaries paid to members of the Bank's Management Board in 2021 totalled UAH 12,094,138.61, including non-purposeful material benefits of UAH 10,000.00 and bonuses of UAH 1,401,146.93.

The number of recipients is 10 people.

No remuneration from legal entities related by control or affiliated have been accrued or paid.

No additional remuneration has been accrued or paid to members of the Management Board for special services falling outside of the usual functions.

No compensation has been paid to members of the Management Board in connection with the termination of their office in 2021.

No shares, shares options and other financial instruments have been accrued or paid 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.

The total amount of wages paid to influential persons of the Bank for 2021 is UAH 2,852,679.91.

The number of recipients is 7 people.

No compensation has been paid to members of the Management Board in connection with the termination of their office in 2021.

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

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

As at 31 December 2021, there are 4 Management Board committees in the Bank:

- Credit Committee (including the Small Credit Committee);
- Asset and Liability Committee;
- Tariff Committee;
- Operational Risk Management Committee.

COMPOSITION OF THE CREDIT COMMITTEE IN 2021:

CHANGES IN THE COMPOSITION OF THE CREDIT COMMITTEE IN 2021:

Composition of the Credit Committee from 01/01/2021 to 31/01/2021

(Minute No. 11 of the Management Board dated 10/02/2021)

Chairperson of the Credit Committee

First Deputy Chairperson of the Management Board

P.P. Shcherban

Deputy Chairperson of the Credit Committee

Director of the Department for Documentary and Lending Transactions

V.V. Suraiev

Members of the Credit Committee:

Chairperson of the Management Board

Y.M. Frolova

Director of analysis and agribusiness development programs

K.V. Moiseienko

Head of the Banking Security Department

A.S. Ivanchenkov

Head of the Legal Department

O.A. Osadcha

Head of the Risk Control Department

A.V. Bolhar

**Composition of the Credit Committee from 01/02/2021 to 28/04/2021
(Minute No. 7 of the Management Board dated 01/02/2021)**

Chairperson of the Credit Committee

First Deputy Chairperson of the Management Board P.P. Shcherban

Deputy Chairperson of the Credit Committee

Director of the Department for Documentary and Lending Transactions V.V. Suraiev

Members of the Credit Committee:

Chairperson of the Management Board Y.M. Frolova

Head of the Legal Department O.A. Osadcha

Head of the Banking Security Department A.S. Ivanchenkov

Head of the Risk Control Department A.V. Bolhar

**Composition of the Credit Committee from 29/04/2021 to 17/05/2021
(Minute No. 32 of the Management Board dated 28/04/2021)**

Acting Chairperson of the Credit Committee

Director of the Department for Documentary and Lending Transactions V.V. Suraiev

Members of the Credit Committee:

Chairperson of the Management Board Y.M. Frolova

Head of the Legal Department O.A. Osadcha

Head of the Banking Security Department A.S. Ivanchenkov

Head of the Risk Control Department A.V. Bolhar

**Composition of the Credit Committee from 18/05/2021 to 02/08/2021
(Minute No. 37 of the Management Board dated 18/05/2021)**

Chairperson of the Credit Committee

First Deputy Chairperson of the Management Board V. Burkytsia

Deputy Chairperson of the Credit Committee

Director of the Department for Documentary and Lending Transactions V.V. Suraiev

Members of the Credit Committee:

Chairperson of the Management Board Y.M. Frolova

Head of the Legal Department O.A. Osadcha

Head of the Banking Security Department A.S. Ivanchenkov

Head of the Risk Control Department A.V. Bolhar

**Composition of the Credit Committee from 03/08/2021 to 14/11/2021
(Minute No. 57 of the Management Board dated 02/08/2021)**

Chairperson of the Credit Committee

First Deputy Chairperson of the Management Board V. Burkytsia

Deputy Chairperson of the Credit Committee

Director of the Department for Documentary and Lending Transactions V.V. Suraiev

Members of the Credit Committee:

Chairperson of the Management Board Y.M. Frolova

Head of the Legal Department O.A. Osadcha

Deputy head of the Bank Security Department O. Likarenko

Head of the Risk Control Department A.V. Bolhar

**Composition of the Credit Committee from 15/11/2021 to 13/12/2021
(Minute No. 85 of the Management Board dated 15/11/2021)**

Chairperson of the Credit Committee

First Deputy Chairperson of the Management Board V. Burkytsia

Deputy Chairperson of the Credit Committee

Director of the Department for Documentary and Lending Transactions V.V. Suraiev

Members of the Credit Committee:

Chairperson of the Management Board Y.M. Frolova

Head of the Legal Department O.A. Osadcha

Deputy Head of the Bank Security Department O. Likarenko

Acting Head of the Risk Control Department S. Kravchenko

**Composition of the Credit Committee from 14/12/2021 to 31/12/2021
(Minute No. 92 of the Management Board dated 13/12/2021)**

Chairperson of the Credit Committee

First Deputy Chairperson of the Management Board V. Burkytsia

Deputy Chairperson of the Credit Committee

Deputy Chairman of the Board O. Chumak

Members of the Credit Committee:

Chairperson of the Management Board Y.M. Frolova

Director of the Department for Documentary and Lending Transactions V.V. Suraiev

Head of the Legal Department O.A. Osadcha

Deputy Head of the Bank Security Department O. Likarenko

Acting Head of the Risk Control Department S. Kravchenko

As at 01 January 2022 the composition of the Credit Committee was as follows:

Chairperson of the Credit Committee:	First Deputy Chairperson of the Management Board	V. Burkytsia
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Members of the Credit Committee:

Chairperson of the Management Board	Y.M. Frolova
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Deputy Chairman of the Board	O. Chumak
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Director of the Department for Documentary and Lending Transactions	V.V. Suraiev
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Head of the Legal Department	O.A. Osadcha
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Acting Head of the Risk Control Department	S. Kravchenko
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Deputy Head of the Bank Security Department	O. Likarenko
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The Tariff Committee has held 226 meetings as at 1 January 2022 (for 2021) that passed decisions in respect of the following:

- setting limits applicable to transactions with counterparty banks;
- charging allowances: for asset-side transactions, including documentary transactions, accounts receivable and financial derivatives, allowances for transactions with securities;
- lending to entities;
- lending to individuals;
- reduction/cancellation of the amount/non-imposition of penalties stipulated by contracts concluded;
- provision of guarantees to entities;

- returning of fees stipulated by guarantee agreements;
- changes to the terms of lending underlying lending agreements;
- changes to guarantee agreements concluded;
- changes to letter of credit agreements;
- changes to factoring agreements;
- changes to bill avalisation agreements concluded;
- commencement of clam-related work in respect of debt;
- payments on demand;
- payment of insurance indemnity for insured events;
- granting permission to assign (sale and purchase) the rights of claim under lending agreements;
- granting consent to the next mortgage;
- accreditation of the developer;
- limiting the financing through factoring;
- repayment of debts on credit agreement;
- granting permission to foreclose on the subject of the mortgage;
- accreditation of insurance companies;
- establishing a limit on documentary letters of credit;
- purchase of assets;
- potential/bad debt with a breakdown of debtors owing to JSC BANK ALLIANCE.

COMPOSITION OF THE SMALL CREDIT COMMITTEE IN 2021

CHANGES IN THE COMPOSITION OF THE SMALL CREDIT COMMITTEE IN 2021:

Composition of Small Credit Committee from 12.04.2021 to 01.11.2021 (Minute No. 27 of the Management Board dated 12/04/2021)

Head of the Small Credit Committee

Head of the documentary operations department

Oleksandr NEKHOMYAZH

Members of the Small Credit Committee:

Director of the Documentary and Credit Operations Department

Volodymyr SURAEV

Head of risk control department

Andrii BOLGAR

Head of the Legal Department

Oksana Osadcha

Composition of Small Credit Committee from 02.11.2021 to 14.11.2021 (Minute No. 81 of the Management Board dated 01/11/2021)

Head of the Small Credit Committee

Head of the documentary operations department

Oleksandr NEKHOMYAZH

Members of the Small Credit Committee:

Director of the Documentary and Credit Operations Department

Volodymyr SURAEV

Head of risk control department

Andrii BOLGAR

Head of the department for supporting documentary operations of the legal department

Nataliya PODGURSKA

Composition of Small Credit Committee from 15.11.2021 to 31.12.2021 (Minute No. 81 of the Management Board dated 15/11/2021)

Head of the Small Credit Committee

Head of the documentary operations department

Oleksandr NEKHOMYAZH

Members of the Small Credit Committee:

Director of the Documentary and Credit Operations Department

Volodymyr SURAEV

Acting Head of risk control department

Andrii BOLGAR

Head of the department for supporting documentary operations of the legal department

Nataliya PODGURSKA

As of January 1, 2022, the composition of the Small Credit Committee of BANK ALLIANCE JSC is as follows:

Head of the Small Credit Committee: Head of the documentary operations department Oleksandr NEKHOMYAZH

Members of the Small Credit Committee:

Director of the Documentary and Credit Operations Department

Volodymyr SURAEV

Acting Head of risk control department

Andrii BOLGAR

Head of the department for supporting documentary operations of the legal department

Nataliya PODGURSKA

As of 01.01.2022 (for the year 2021), 151 meetings of the Small Credit Committee were held and decisions were made within the scope of the powers granted regarding:

- provision of tender guarantees and performance guarantees to legal entities and individual entrepreneurs;
- provision of advance payment return guarantees and payment guarantees to legal entities and individual entrepreneurs;
- opening of limits (guarantee lines) for issuing guarantees to legal entities and natural persons to entrepreneurs;
- making changes to concluded agreements on the provision of guarantees;
- return of commissions under concluded agreements on the provision of guarantees.

COMPOSITION OF THE ASSET AND LIABILITY COMMITTEE (“ALCO”) IN 2020:

**Composition of the ALCO from 01/01/2021 to 29/04/2021
(Minutes No. 89 of the Management Board dated 09/12/2021)**

Chairperson of the ALCO:

First Deputy Chairperson of the Management Board

P.P. Shcherban

Deputy Chairperson of the ALCO:

Chairperson of the Management Board

Y.M. Frolova

Members of the ALCO:

Head of Risk Control

A.V. Bolhar

Deputy Chairperson of the Management Board

V.V. Paliura

Head of the Treasury Department

S.V. Khliakin

Director of the Retail Business Development

V.A. Kulyk

**Composition of the ALCO from 29/04/2021 to 15/11/2021
(Minutes No. 32 of the Management Board dated 28/04/2021)**

Chairperson of the ALCO:

First Deputy Chairperson of the Management Board

Oleksandr Chumak

Deputy Chairperson of the ALCO:

Chairperson of the Management Board

Y.M. Frolova

Members of the ALCO:

Head of Risk Control

A.V. Bolhar

Deputy Chairperson of the Management Board

V.V. Paliura

Head of the Treasury Department

S.V. Khliakin

Director of the Retail Business Development

V.A. Kulyk

**Composition of the ALCO from 15/11/2021 to 31/12/2021
(Minutes No. 85 of the Management Board dated 15/11/2021)**

Chairperson of the ALCO:

First Deputy Chairperson of the Management Board

Oleksandr Chumak

Deputy Chairperson of the ALCO: Chairperson of the Management Board	Y.M. Frolova
Members of the ALCO: Acting Head of Risk Control	Sergey Kravchenko
Deputy Chairperson of the Management Board	V.V. Paliura
Head of the Treasury Department	S.V. Khliakin
Director of the Retail Business Development	V.A. Kulyk

During 2021, there were the following changes in the composition of the ALCO:

- S.A. Kravchenko, Acting Head of the Risk Control Department, was included in the ALCO; Deputy Chairman of the Management Board Chumak O.O.
- the First Deputy Chairman of the Management Board - Shcherbanya P.P. was removed from the ALCO; Head of the Risk Control Department - Bolgar A.V.
- Chumak O.O. was appointed as the Chairman of the ALCO.

From **1 January 2021 to 31 December 2021** the ALCO has held **154 meetings** and passed resolutions in respect of:

- setting and updating interest rates on deposit products for retail customers (individuals) and corporate customers (entities);
- setting and updating interest rates on corporate and retail lending transactions;
- setting individual interest rates for the Bank's customers in relation to deposit programmes, balances available on current accounts, placement periods, etc.;
- setting and updating cash desk limits, as well as limits and structure of the portfolio of domestic government loan bonds, etc.

COMPOSITION OF THE TARIFF COMMITTEE IN 2021

**Composition of the tariff committee from 01.01.2021 p. to 25.10.2021
(Minutes of the Board №89 dated 09.12.2020)**

Chairman of the Tariff Committee: Chief Accountant	Natalia Bochkovska
Deputy Chairman of the Tariff Committee: Head of the Risk Control Department	Andriy Bolgar
Members of the Tariff Committee: Deputy Chairman of the Board	Oleksandr Chumak
Head of the Operations Department	Victoria Ilchenko
Head of the Department of Administration of Documentary Operations of the Department of Credit Administration and Monitoring	Borovytskyi V.V.
Head of the software department of the Information Technology Department	Oleksii Ivanov
Director of the Documentary and Credit Operations Department	Volodymyr Suraev

**Composition of the tariff committee from 26.10.2021 to 15.11.2021
(Minutes of the Board №79 dated 25.10.2021.)**

Chairman of the Tariff Committee: Chief Accountant	Natalia Bochkovska
Deputy Chairman of the Tariff Committee: Head of the Risk Control Department	Andriy Bolgar
Members of the Tariff Committee:	

Deputy Chairman of the Board
Head of the Operations Department
Head of the Corporate Business Development Department
Head of the software department of the Information Technology Department
Director of the Documentary and Credit Operations Department

Oleksandr Chumak
Victoria Ilchenko
Brotsky S.Y.

Oleksii Ivanov
Volodymyr Suraev

**Composition of the tariff committee from 16.11.2021 to 13.12.2021
(Minutes of the Board №85 dated 15.11.2021)**

Chairman of the Tariff Committee:

Chief Accountant

Natalia Bochkovska

Deputy Chairman of the Tariff Committee:

Acting Head of the Risk Control Department

Sergey Kravchenko

Members of the Tariff Committee:

Deputy Chairman of the Board

Oleksandr Chumak

Head of the Operations Department

Victoria Ilchenko

Head of the Corporate Business Development Department

Brotsky S.Y.

Head of the software department of the Information Technology Department

Oleksii Ivanov

Director of the Documentary and Credit Operations Department

Volodymyr Suraev

**Composition of the tariff committee from 14.12.2021 to 01.01.2022
(Minutes of the Board №92 dated 13.12.2021)**

Chairman of the Tariff Committee:

Chief Accountant

Reguretska V.G.

Deputy Chairman of the Tariff Committee:

Acting Head of the Risk Control Department

Sergey Kravchenko

Members of the Tariff Committee:

Deputy Chairman of the Board

Oleksandr Chumak

Head of the Operations Department

Victoria Ilchenko

Head of the Corporate Business Development Department

Brotsky S.Y.

Head of the software department of the Information Technology Department

Oleksii Ivanov

Director of the Documentary and Credit Operations Department

Volodymyr Suraev

In 2020, the Tariff Committee has held 109 meetings to consider the following matters:

- approval of **standard terms** of customer service – individuals and entities (updating the existing and approval of new tariffs and tariff packages for settlement and cash services for corporate and retail customers, approval of payment card service tariffs);
- approval of **individual terms** of customer service – entities (in the context of the settlement and cash service of corporate customers and remittances to entities; approval of tariffs for settlement and cash service, cash withdrawal from the account; purchase and sale of foreign currency at the interbank foreign exchange market and payments in foreign currency);
- setting individual fees for issuing bank guarantees (for participating in tenders and entering into agreements based on bidding results).

**COMPOSITION OF THE COMMITTEE ON OPERATIONAL RISK MANAGEMENT
(CORM) IN 2021:**

Composition of CORM from 09.12.2020 to 14.11.2021
(Minutes of the Board №89 dated 09.12.2020)

Head of CORM:

Head of the Risk Control Department	Andriy Bolgar
Deputy head of CORM:	
Deputy Chief Accountant	Victoria Reguretska
Members of CORM:	
Retail Business Development Director	Viktor Kulyk
Head of the 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

Compostion of CORM from 15.11.2021 to 31.12.2021
Minutes of the Board № 85 dated 15.11.2021 p.)

Head of CORM:	
Acting Head of the Risk Control Department	Сергій Кравченко
Deputy head of CORM:	
Deputy Chief Accountant	Victoria Reguretska
Members of CORM:	
Retail Business Development Director	Viktor Kulyk
Head of the 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

In 2021, 11 meetings of the Committee were held, 25 issues were considered and respective decisions were made.

The work of the Committee includes supervision over effective functioning of the operational risk management system, including information security risks, at the level of the Bank's units, development of tools for identification, assessment, monitoring and control of operational (information security) risks; approval and review of key risk indicators; control over compliance with limit values set for key indicators of operational (information security) risk and violation analysis; participation in the designing of procedures and methods for the effective management of operational (information security) risk; analysis of identified operational (information security) risks, identification of risk causality and implications, provision of recommendations and measures to prevent risks in the future.

At the meetings, the Committee addressed the following issues:

1. incidents of operational risk that required collegiate decisions and engagement of relevant units to enhance information systems and minimise operational risks;
2. consideration and approval of the Risk Map based on the analysis of the Bank's business processes according to which operational (information security) risk incidents are identified;
3. reviewing and approving limits for key operational indicators, including information risk;
4. consideration of information security measures (implementation of the "Plan for handling information security risks/cyber risks of BANK ALLIANCE JSC", implementation of additional protection of personal data and preservation of funds of bank clients in order to minimize their loss in case of fraudulent actions (by third parties).

Consideration of reporting on operational risks, including the results of self-assessment of operational (information) risk for 2020. The secretary of the Committee constantly monitored the execution of assignments by responsible persons, which were accepted at the Committee's meetings.

6.6.Summary of key characteristics of the internal control and risk management systems

Key characteristic of the operations control system

The Bank has no Audit Committee.

In accordance with the Charter of JSC BANK ALLIANCE, the following management bodies shall be competent to deal with certain issues related to the Bank's operations:

General Shareholders Meeting	Identification of key business areas (strategies)
	Approval of the annual financial report, balance sheet or budget
	Election and termination of powers of the chairperson and members of the Board
	Determination of the remuneration payable to the chairperson and members of the Board
	Making decisions for additional issue of shares
	Making decisions for repurchasing, selling and placing its own shares
Board	Approval of action plans (business plans)
	Election and termination of powers of the chairperson and members of the executive body
	Determination of the remuneration payable to the chairperson and members of the executive body
	Making decisions to prosecute members of the executive body
	Approval of external auditor
	Approval of agreements, for which there is a conflict of interest
Executive body	
Outside the competence of any body	Election and termination of powers of the chairperson and members of the Audit Committee

The policy for preventing conflicts of interest provides that there should be no conflicts of interest: Managers and employees shall not be entitled to participate in voting on any issues that may give rise to a conflict of interest.

Provisions regarding the conflict of interest, i.e., conflict between personal interests of an officer and a related party, and the duty to act in the best interests of the Bank, are set out in the Policy for Preventing Conflicts of Interest of JSC BANK ALLIANCE.

The Bank is striving to improve the system that is designed to minimise (avoid) the risk of conflicts of interest in the Bank.

The Bank has the following documents in place to control its activities:

Document	Availability
Regulation on the General Meeting of Shareholders	Yes
Regulation on the Supervisory Board	
Regulation on the Executive Body	
Regulation on the Shares in the Joint Stock Company	
Regulation on the Officers of the Joint Stock Company	No
Regulation on the Audit Committee (or Auditor)	
Regulation on the Profit Distribution Procedure	

Shareholders may receive information relating to Bank's activities as follows:

	Information disseminated at general meetings	Information published in the press or publicly available in databases of the NSSMC related to the securities market	Documents made available for review directly by the joint stock company	Copies of documents provided at a shareholder's request	Information posted at the official webpage of the joint stock company
Financial statements, business results	Yes	Yes	Yes	Yes	Yes
Information relating to the shareholders holding 10% or more of the authorised capital	Yes	Yes			Yes
Information relating to the composition of the company's management bodies	Yes	Yes			Yes
Charter and internal documents	Yes		Yes	Yes	Yes
Minutes of the general shareholders meetings after they were held	Yes		Yes	Yes	Yes
Amount of remuneration payable to officers of the joint stock company	Yes				

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

Information about the frequency at which the Bank is audited each year by an independent auditor (audit firm) during the reporting period:

	Yes	No
Not audited at all		X
Less than once a year		X
Once a year		X
More often than once a year	X	

Information relating to the body who made decision to approve the independent auditor (audit firm):

	Yes	No
General Shareholders Meeting		X

Board	X	
Executive body		X
Other (specify)		

Information on the body that initiated an audit by the audit committee (auditor) last time:

	Yes	No
On its own initiative		X
On instruction of the general meeting		X
On instruction of the Supervisory Board		X
At request of the executive body		X
At request of the shareholders holding more than 10% of votes		X
Other (specify)		

Internal control system

The Bank has created and implemented an effective system of internal control that is based on the division of responsibilities between the Bank's units, except for functions that fall within the exclusive competence of the Supervisory Board / Management Board / committees of the Bank in accordance with the law of Ukraine and regulations of the National Bank of Ukraine.

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

1) the first line of defence – at the level of business units and business support units of the Bank. These units initiate, carry out or reflect operations, assume risks in the course of their activities and are responsible for the ongoing management of these risks and control measures;

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

3) third line of defence – at the level of internal audit unit, which carries out an independent performance assessment of the first and second lines of defence and an overall performance assessment of the internal control system.

The Bank has defined in its internal documents the procedures and control measures undertaken by the units of each of the three lines of defence.

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

The Bank implements control procedures:

1) organisationally by:

- allocating within the Bank's organisational structure the powers, duties and responsibilities for internal control between its departments, managers and employees. The subordination, duties, rights and responsibilities of employees are defined in the job descriptions;
- introducing the necessary control procedures, restrictions that ensure effective functioning of the internal control system;
- describing in the regulations the control functions to be performed by each control unit;
- carrying out regular assessments of the Bank's risks and control measures at the Bank;
- ensuring information security and organising the proper exchange of information;
- monitoring the performance of the internal control system, including the assessment of its effectiveness through audits by the internal audit unit;

2) methodologically by describing the system of internal control in internal bank documents, including the frequency and timing of control measures, officers charged with control;

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

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

1) creating an appropriate organisational structure;

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

Rules and requirements to the functioning of the Bank's internal control system are set out in the Regulation on Organising the Internal Control System at JSC BANK ALLIANCE.

The functioning of internal controls of the Bank is achieved through the following:

- *firstly*: all internal documents of the Bank introduce the procedure for performing certain functions with the end result taking the form of a document (receipt, memorial slip, contract, order, etc.);
- *secondly*: the person responsible for internal control checks the availability of transaction-related documents and draws conclusions on their compliance of the transaction itself, examines powers of the Bank's employees and control officers (two-man rule).

Internal controls of the Bank follow the following hierarchy:

- supervision of heads of structural units for fulfilment of functional duties by employees in accordance with the job descriptions (the job descriptions are reviewed as necessary);
- supervision by the Management Board over the work (activities) of structural units of the Bank (including the Bank's branches);
- supervision by the Supervisory Board over activities of the Management Board in accordance with the Charter.

To assess the performance of internal control system, the Compliance Department considers the following criteria:

- 1) the Bank has an organisational structure for the internal control system, which contemplates allocation of functions between controllers and the ability to clearly identify the persons responsible for performing these functions;

- 2) availability of documents regulating the following:

- principles underlying the design of internal control system;
- functions and powers of the Bank's employees and units within the internal control system;
- procedure for interaction and allocation of powers between the Bank's units in exercising internal controls;
- procedure for identifying deficiencies and organising reports on the functioning of the internal control system;
- control of the effectiveness of internal controls system;

- 3) responsibility of each individual employee of the Bank for the performance of each specific function;

- 4) taking measures to supervise all material operations and products of the Bank;

- 5) compliance of the Bank's policies and procedures with laws and regulations of the National Bank, intrabank documents, standards of professional associations applying to the Bank.

Availability and key characteristics of the risk management system

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

The purpose for which the Strategy has been implemented is:

- meeting expectations of shareholders interested in long-term activities and successful functioning of the Bank, so that the investments generate returns;
- ensuring effective operation of the risk management system, thus, increasing reliability for all stakeholders: the Bank's customers and creditors, employees and others;
- compliance with requirements of the National Bank of Ukraine.

In the context of risk management by the Bank, the following key tasks are expected to be resolved:

- identifying and assessing significant risks;
- assessing, aggregating, forecasting and stress-testing significant risk exposures;
- creating mechanisms for managing the structure and scope of risks assumed by the Bank, including establishment of a system of limits to restrict (control) the risks;

- monitoring and controlling the scope of risk accepted, implementing measures to reduce the level of acceptable risk and maintaining it within the established external and internal limits;
- complying with mandatory rules and restrictions imposed by the NBU;
- ensuring efficient allocation of resources to optimise the risk and returns of the Bank;
- assessing the adequacy of available financial resources to cover for significant risks;
- capital planning based on results of comprehensive assessment of significant risks, testing of the Bank's resilience to internal and external risk factors, business development strategy benchmarks, and capital adequacy requirements of the NBU;
- preparing reports and their timely submission to the respective collegial bodies of the Bank in the prescribed / agreed formats and terms;
- Developing risk culture and risk management competences within the Bank with due regard to the best global practices.

Taking into account the specifics of the risks:

- credit risk;
- liquidity risk;
- interest rate risk in the banking book;
- market risk;
- operational risk;
- compliance risk.

The Bank views these risks as significant on a permanent basis.

For effective risk management and due to the need to minimise the conflict of interest between risk acceptance, risk limitation and control, and the audit of the risk management system, the Bank's organisational structure is built to take into account the need to divide functions and responsibilities between the Bank's departments in accordance with the principle of "three lines of defence":

- at the level of the Bank's structural units that carry out operations and directly assume risks (front offices), and structural units that register operations (back offices), i.e. first level control or linear control;
- at the level of risk management units and compliance unit, i.e. second level control;
- at the level of performance assessment of the risk management system by the Internal Audit Service, i.e. third level control.

The entities involved in the Bank's risk management system are:

- Supervisory Board;
- Management Board;
- Credit Committee of the Bank's Management Board;
- Assets and Liabilities Committee of the Bank's Management Board;
- Operation Risk Management Committee of the Bank's Management Board;
- Internal Audit Unit;
- Risk Management Unit;
- Compliance Unit.
- Business and business support units.

The Bank's Supervisory Board defines the general risk management strategy in the Bank, while the Bank's Management Board operates the risk management process. The Risk Control Department ensures that the operation of the risk management system is effective, whilst the Compliance Department ensures compliance control.

According to its functions, the Bank's Supervisory Board shall:

- be responsible for creating a comprehensive, adequate and effective management system for the risk the Bank is exposed to in its activities;
- control that the risk management system is complete, adequate and efficient;
- ensure the operation and control over the effectiveness of the risk management system;

- approves internal bank documents on risk management and monitors their implementation, compliance and timely updating;
- define the main principles of the Bank's organisational structure, information system for risk management and internal control, which ensure effective risk management;
- approve the Recovery Plan and ensure the performance of the Bank's recovery functions;
- approve the list of limits (restrictions) for each type of risk and the procedure for escalating violations of the limits of risks;
- approve the appointment and dismissal of risk management unit managers (CROs) and compliance control department (CCOs);
- approve the financial support (budget) of the risk management units, control over compliance with the norms, set the amount of remuneration to the heads of these units and monitor their implementation / compliance;
- determine the nature, format and scope of risk information, considers management risk reporting and, if the risk profile of the Bank does not correspond to the approved risk appetite, immediately decide on the application of appropriate measures to mitigate the risks;
- take measures to prevent conflicts of interest in the Bank, promote their settlement and inform the National Bank of conflicts of interest arising at the Bank.
- perform other functions as required by laws of Ukraine, the Bank's Charter and the Regulation on the Bank's Supervisory Board.

The Bank's Management Board interacts with the Bank's Supervisory Board with respect to risk management issues and:

- ensures the development and approval of internal bank documents on risk management;
- prepares and submits to the Supervisory Board of the Bank's management reports on the risks to which the Bank is exposed, which includes information about the new types of products or significant changes in the Bank's activities;
- prepares and submits to the Supervisory Board of the Bank of proposals for the necessity of making changes to the risk management strategy and policy;
- controls the communication with relevant structural subdivisions and Bank's employees of information relating to the changes made to the risk management strategy and policy, other internal risk management documents;
- develops measures for the prompt elimination of deficiencies in the functioning of the risk management system, implementation of recommendations and observations on the results of risk assessment, audits of the internal audit unit, external auditors and supervisory bodies;
- approves the limit values for each type of risk in accordance with the list of limits (restrictions) set out by the Supervisory Board;
- determines forms and establishes the procedure for monitoring the Bank's activities;
- ensures the security of the Bank's information systems and systems used to store the customers' assets;
- informs the Supervisory Board about the performance of the Bank, revealed violations of the laws, internal regulations of the Bank and any deterioration of the financial position of the Bank or such potential deterioration, the level of risks arising in the course of business;
- provides administrative support for the implementation of the second line of defence by the managers, the risk management unit and the compliance unit (ensures the organisation of their work process, issues administrative documents for the implementation of the Bank's decisions);
- fulfil other functions as required by laws of Ukraine, the Bank's Charter and the Regulation on the Bank's Management Board.

In order to control and reduce the level of significant risks, the Bank may make decision to hedge risks, including through insurance. In particular, in accordance with the Credit Policy, and to the extent that the credit risk reduces, the Bank accepts collateral pledged under credit operations in accordance with the principle of preservation that contemplates an existence of a contract for collateral insurance against loss / damage, wherein the Bank acts as a beneficiary.

In line with the risk management strategy, the risk management involves establishing a level of risk tolerance for the Bank by identifying a system of limits (risk limitation). The decision to carry out any

transaction shall be made only after a detailed and complete analysis of the risks arising from such a transaction. All transactions shall be carried out by observing internal and / or organisational and administrative documents. No new transactions exposed to significant risks, when there are no internal and organisational and administrative documents or relevant decisions of collegiate bodies regulating the procedure for their implementation, shall be allowed.

The Bank's risk tolerance levels are set in accordance with the Risk Appetite Statement of JOINT STOCK COMPANY BANK ALLIANCE, which is approved by the Supervisory Board of the Bank, and is revised at least once a year (based on the Bank's performance for the year or in the event of significant changes in the Bank's business model, significant changes in the structure and quality of the asset and liability portfolios). The statement is an integral part of the risk management system, is based on the break-even principle and aims to ensure sustainable development within the Bank's Development Strategy and defines the total amount of risk appetite, types of risks that the Bank takes or avoids to achieve its business goals, and the level of risk appetite for each risk.

As at 1 January 2021, the Bank's tolerance levels were set for the following risks (in 2021 the same qualification):

- credit risk;
- liquidity risk;
- interest rate risk;
- market risk;
- currency risk;
- operational risk;
- compliance risk.

Zero level of risk tolerance (risk that the Bank does not intend to take or retain to achieve business goals) is set for:

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

The Risk Management Department reports to the Supervisory Board on compliance with the established levels of tolerance on a quarterly basis.

The Bank is continuously improving the risk management system to mitigate risks.

At the reporting date, the Bank complies with all economic norms and limits applicable to the currency position as established by the National Bank of Ukraine, including the liquidity and capital. Information on the structure of regulatory capital, capital ratios, and significant types of risks is disclosed in the Annual Financial Statements of JSC BANK ALLIANCE for 2021.

Violations of internal rules by the members of the Supervisory Board and the financial institution's executive body, which have caused damage to the financial institution or consumers of financial services

During 2021, there were no violations of internal rules by the members of the Bank's Supervisory Board and the members of the Bank's Management Board, which 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 own a significant shareholding

The owner of significant shareholding (including the person controlling the financial institution) is a Ukrainian national, Oleksandr Yosypovych Sosis, who as at 31 December 2021 owns shares comprising 89.289006% of the authorised capital of the Bank. The owner meets requirements set out in the laws. The Bank had no other holders of at least 5% of shares in its authorised capital in 2021. There were no changes in the owners of significant shareholding in the Bank in 2021.

6.8. Information relating to any restrictions on the rights of participation and voting of shareholders (participants) at the general meeting

The Bank's Charter does not provide for additional restrictions on the rights to participate and vote at the general shareholders meeting for holders of ordinary registered shares of the Bank, except for the limitations provided by the laws of Ukraine. The Bank did not place any preference shares.

According to the Register of Holders of Registered Shares as at 31 December 2021 created by Public Joint Stock Company National Depository of Ukraine, the total number of ordinary registered shares placed by the Bank is 16,000,000 (sixteen million), the total number of voting shares of JSC BANK ALLIANCE is 15,906,053 (fifteen million nine hundred six thousand fifty-three) of ordinary registered shares, and 0 voting shares whereby the right of vote has been transferred to another party due to a restriction of the right of vote.

The issuer did not initiate and was subject to no restrictions on the circulation of the issuer's securities in the reporting period, and there is no need to obtain such securities from the issuer or his/her approval for alienation of such securities.

Voting limitations at the general meetings of shareholders may arise only under the Law of Ukraine "On the Depository System of Ukraine" (shareholders did not conclude with a depository institution any agreement for servicing the securities account on their own behalf, nor transferred ownership of securities to their own securities account or depository institution discontinued its operations).

The information about any restrictions on the rights of participation and voting of shareholders at the general meeting of the issuer, which took place in 2021:

Total number of shares	Number of restricted shares	Basis for restriction	Date of restriction
16 000 000	93 947	Закон України «Про депозитарну систему України»	11.10.2013

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

Procedure for the election (appointment) and dismissal of members of the Bank's Supervisory Board.

The Bank's Board is elected by the General Meeting from the Bank's shareholders, their representatives and independent directors. The Board shall consist of the Chairperson and other members of the Board.

The Chairperson and members of the Board are elected by the 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 expiration of the term of processing the document package submitted by the Bank, the National Bank of Ukraine has not notified the Bank of the decision to approve the position of the Chairperson or a member of the Board, the candidate shall be deemed approved for a respective position.

The NBU's approval is not required whenever there is:

- re-election of members of the Board to the position that he/she holds at the time of such re-election/reappointment, if the National Bank of Ukraine has already approved him/her earlier for this very position in the Bank;
- changes in the position of the Board members (unless elected by an independent director), if the National Bank has approved him/her earlier for a position in the Board of the Bank;
- election / appointment of a member of the Board of the Bank to a position, if the National Bank has previously approved him/her as a candidate for this position and no more than six months have passed since the date of such approval.

The powers of the members of the Board shall be terminated, except for the powers to prepare, convene and hold an annual General Meeting, if the annual Bank's General Meeting was not held within the time limit established by the laws of Ukraine.

Without the decision of the General Meeting, the powers of a member of the Board shall be terminated early:

- at his or her own request with a 14 calendar days' written notice sent to the Board;
- In case of impossibility of performance of duties of the member of Board due to health condition;
- Where the court judgment or decision has become effective, under which he/she is sentenced to punishment, which precludes the fulfilment of duties as the member of the Board;
- if he or she dies, or is recognised incapable, partially incapable, missing or dead;

- if the Bank receives a written notice of replacement of a member of the Board who is the shareholder's representative;
- in case the Bank receives the requirements of the National Bank of Ukraine to terminate the powers of a member of the Chairperson or a member of the Board due to improper performance of the functions entrusted;
- if the Bank receives the requirements of the National Bank of Ukraine for the replacement of a member of the Board due to the inconsistency of his professional suitability and business reputation with the applicable laws of Ukraine.

Procedure for appointment and dismissal of members of the Bank's Management Board.

The Chairperson of the Management Board, his or her deputies and members of the Management Board shall be appointed by the Bank's Board. The decision on the appointment of the Chairperson and members of the Management Board shall be made by a simple majority of votes of the members of the Board participating in the meeting of the Bank, and the vote of the Chairperson of the Board shall be decisive in case of equal distribution of votes. Voting shall be held separately on each nomination for membership in the Bank's Management Board.

The Chairperson of the Management Board, his/her deputies and members of the Management Board of the Bank, based on the duties of each member of the Management Board, shall always meet the qualification requirements established by the Law on Banks and regulations of the National Bank of Ukraine.

The Chairperson of the Bank's Management Board shall enter upon office after its approval by the National Bank of Ukraine only.

The powers of the Chairperson, Deputy Chairpersons and members of the Bank's Management Board shall be terminated by decision of the Bank's Board.

6.10. Powers and authorities of the officers

The Chairperson and members of the Bank's Management Board, for the purpose of implementing competences set out in Article 13 of the Bank's Charter in general and acting as a collegial body, shall be charged with the following powers:

Member of the Board:

- receive complete, accurate and timely information relating to the Bank required to perform their functions. Review documents of the Bank, receive copies of them, as well as copies of documents of the structural units of the Bank;
- within the timeframes stipulated by this Regulation on the Supervisory Board of JSC BANK ALLIANCE, receive the agenda and information package for the meetings of the Supervisory Board;
- demand convening of extraordinary meetings of the Board;
- in case of disagreement, submit written comments to the decisions of the Supervisory Board or issues previously considered by the relevant Committee of the Board;
- participate in regular and extraordinary General Meetings;
- hear reports of the Management Board and the Bank's official on specific issues related to the Bank's activities;
- participate in meetings of the Management Board;
- engage experts for examining specific issues related to the Bank's activities.

The Chairperson of the Supervisory Board organises operations of the Supervisory Board, convenes and presides at meetings of the Supervisory Board, organises the keeping of meeting minutes of the Supervisory Board, and has the same powers as the Supervisory Board members.

The Chairperson and members of the Bank's Management Board, for the purpose of implementing the competences set out in Article 14 of the Bank's Charter in general and acting as a collegial body, shall be charged with the following powers:

The Chairperson of the Management Board:

- without a power of attorney, represents the Bank in relations with any state bodies, enterprises, institutions, organisations of all forms of ownership and public organisations, all law enforcement and controlling bodies; execute any transactions on behalf of the Bank and carry out all legally significant actions;
- issue powers of attorney for and on behalf of the Bank;

- convene meetings of the Management Board, determine their agenda and vote on the agenda items;
- allocate responsibilities between members of the Management Board, the Deputy Chairpersons of the Management Board and determine their functional powers, delegate certain powers to the members of the Management Board and to the Deputy Chairpersons of the Management Board, as well as to other employees of the Bank, including on the basis of issued power of attorney:
 - hire and dismiss employees of the Bank, take measures to reward them by results of their work and impose disciplinary sanctions. Approve job descriptions of Bank employees;
 - issue orders, orders and give instructions, which are obligatory for all Bank employees, including separate subdivisions;
 - represent the employer to the labour collective, sign the collective agreement on behalf of the administration. Require the convening of extraordinary meetings of the Bank's Board, take part in meetings of the Board in advisory capacity. Take part in the General Meetings;
 - dispose of the Bank's assets and funds in accordance with the applicable laws of Ukraine and the Bank's Charter;
 - take measures for the pre-trial settlement of disputes, sign claims and complaints, sign all documents relating to litigation claims and complaints, represent the interests of the Bank in courts with all rights granted by law to the plaintiff, the defendant, a third party to the proceedings, including to fully or partly waive the claim, admit the claim, change the subject of the claim, conclude settlement agreement, appeal the decision of the court, file a writ of execution to recover or issue a power of attorney to perform the relevant actions to another person.
 - submit issues related to the activities of the Bank to the Management Board, Board, General Meeting in accordance with the established procedure;
 - Submit proposals to the Bank's Board with candidates for election to the Management Board.

All members of the Bank's Management Board shall ensure the implementation of the tasks, decisions of the Bank's Supervisory Board on the implementation of the risk management system, including risk management strategy and policy, risk management culture, procedures, methods and other measures for effective risk management.

All members of the Bank's Management Board shall be authorised to:

- obtain complete, accurate and timely information needed to perform its functions;
- make proposals for, participate in discussions of, and vote on, any agenda item at the Management Board meetings. Apply for consideration by the Chairperson of the Board proposals for improvement of the Bank's activities in matters within the competence of a member of the Management Board;
- initiate the convening of meetings, including meetings of the Bank's Management Board and other meetings;
- act on behalf of the Bank on the basis of a power of attorney issued by the Chairperson of the Management Board;
- submit written comments to decisions of the Supervisory Board;
- demand from the employees of the Bank's subordinated units, according to the organisational structure of the Bank, timely and qualitative fulfilment of the duties assigned to them, in compliance with the requirements of the Bank's internal documents. Control the Bank's subordinated structural subdivisions complying with the set tasks.

6.11. Description of business activities

The purpose of the Bank's activities

According to the Charter of JOINT STOCK COMPANY BANK ALLIANCE as at 31 December 2021, the purpose of the Bank is to meet the public needs for banking and other financial services (except for insurance services), other banking activities as defined by the applicable legislation of Ukraine; attraction, accumulation, propulsion and redistribution of monetary flow, as well as profit-earning based on results of activities not prohibited by the applicable law of Ukraine.

Organisational structure of the issuer, subsidiaries, affiliates, representative offices and other separated structural units with the name and location, role and prospects of development, changes in the organisational structure according to the previous reporting periods

Alliance-Credit Bank Commercial Joint Stock Bank was established as a public company of open-ended type according to the decision of the Constituent Meeting of Founders (Minutes No. 1 dated 9 March 1992) and registered with the National Bank of Ukraine on 10 March 1992 under No. 89. In accordance with the decision of the General Shareholders Meeting (Minutes No. 11 dated 31 March 1993), Alliance-Credit Bank Commercial Joint Stock Bank changed its name to the Alliance-Credit Bank Joint Stock Commercial Bank, amendments registered by the National Bank of Ukraine on 30 July 1993. Alliance-Credit Bank Joint Stock Commercial Bank acted as a legal successor of all rights and obligations of Alliance-Credit Bank Commercial Joint Stock Bank. In accordance with the decision of the General Shareholders Meeting (Minutes No. 52 dated 24 May 1996), Alliance-Credit Bank Commercial Joint Stock Bank changed its name to the Alliance Joint Stock Commercial Bank, which amendments were registered with the National Bank of Ukraine on 24 July 1996. Alliance Joint Stock Commercial Bank acted as a legal successor in respect of all rights and obligations of Alliance-Credit Bank Commercial Joint Stock Bank. In pursuance of the requirements of the Law of Ukraine on Joint Stock Companies and in accordance with the decision of the General Shareholders Meeting (Minutes No. 2/2010 dated 23 April 2010), Alliance Joint Stock Commercial Bank changed its name to BANK ALLIANCE PUBLIC ACCOUNTING COMPANY who acted as a legal successor in relation to all rights and obligations of Alliance Joint Stock Commercial Bank.

Under the decision of the General Shareholders Meeting dated 17 April 2018, the name of the Bank has been changed to the BANK ALLIANCE JOINT STOCK COMPANY, which acts as a legal successor in respect of all rights and obligations of BANK ALLIANCE PUBLIC JOINT STOCK COMPANY.

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

As at 31 December 2021, the Bank's organisational structure comprised the head office in Kyiv and 30 branches:

- Head Office at 50 Sichovykh Striltsiv Street, Kyiv, 04053;
- Central Office at 50 Sichovykh Striltsiv Street, Kyiv, 04053;
- KYIV BRANCH №3, 01010, Kyiv, str. Moskovska, 32/2; Zaporizhia Branch at 17 Metalurhiv Avenue, Zaporizhia, 69032, Zaporizhia Region;
- Lviv Branch at 15 V. Stefanyka Street, apt. 2, Lviv, 79000, Lviv Region;
- Lviv Branch No. 1 at 66 Ivana Franka Street, apt. 2A, Lviv, 79001, Lviv Region;
- Chernivtsi Branch at 8 Tsentralna Square, 58002, Chernivtsi, Chernivtsi Region;
- Kharkiv Branch at 65 Chernyshevskaya Street, Kharkiv, 61002, Kharkiv Region;
- Odesa Branch at 5/1 Bazarna Street, Odesa, 65125, Odesa Region;
- Kyiv Branch No. 1 at 43/4 Metrolohichna Street, 03143, premises 44, Kyiv;
- MYKOLAIV BRANCH, 54017, Mykolaiv region, Mykolaiv city, Tsentralniy avenue, 79; Chornomorsk Branch at 5R Myru Avenue, Chornomorsk, 54017, Odesa Region;
- Kremenchuk Branch at 16-A Haharina Street, Kremenchuk, 54017, Poltava Region;
- Chernihiv Branch at 4 Piatnytska Street, Chernihiv, 14000, Chernihiv Region;
- Cherkasy Branch, 31 Nebesnoi Sotni Street, Cherkasy, 18007, Cherkasy Region;
- Kyiv Branch No.2 at 112 Velyka Vasylkivska Street, Kyiv, 03150;
 - Dnipro Branch at 28 Voskresenska Street, Dnipro, 49000, Dnipropetrovsk Region;
 - KYIV BRANCH №4, 02105, Kyiv, 10/1 Sobornosti avenue;
 - Korosten Branch at 44 Mykhaila Hrushevskoho Street, Korosten, 11501, Zhytomyr Region;
 - Vinnytsia Branch at 78 Keletska Street, Vinnytsia, 21021, Vinnytsia Region;
 - SUMY BRANCH, 40000, Sumy region, Sumy city, 4 9th Travnia lane;
 - POLTAVA BRANCH, 36020, Poltava region, Poltava city, str. Councils, 30/12;
 - CHORNOMORSK BRANCH №1, 68001, Odesa region, Chornomorsk, str. Khantadze, building 1-B;
 - ODESA BRANCH №1, 65085, Odesa region, Odesa city, str. Airportivska building, 22
 - UZHGOROD BRANCH, 88018, Transcarpathian region. Uzhhorod, st. Shvabska 71 c;

- KROPYVNYTSKY BRANCH, 25009, Kirovohrad Region, Kropyvnytskyi, str. Cathedral building 14;
- KYIVS BRANCH №5, 03187, Kyiv, Tadei Rylsky Boulevard, building 1;
- 32 Ushakova Ave., Kherson, 73022, Kherson Branch;
- ZHYTOMIR BRANCH, 10014, Zhytomyr, Teatralna 9/5;
- Khmelnytskyi Branch, 29000, Khmelnytskyi, str. Shevchenko 11;
- KYIV BRANCH №6, 02000, Kyiv, Kiltseva doroga, 1.

In 2021, the Bank set up 5 new separate units of the Bank. Further expansion of the regional network is expected to continue in 2022.

According to the Bank's business model and for the purpose of implementing the Strategy of JSC BANK ALLIANCE for 2021-2023 ("the Strategy") approved by decision of the Supervisory Board dated 24 December 2020 (minutes no. 85) and the Bank's Budget for 2021 approved by decision of the Supervisory Board dated 24 December 2021 (minutes no. 85) on the expansion of the distribution channels.

The basic principles of building an organisational structure of the Bank are: the hierarchy of the organisational structure; standardisation and unification; clear division of functions between divisions; optimal staffing.

The Banks has no representative offices and branches in Ukraine and/or in other countries.

The average number of staff members, average number of non-staffed, dual job holders and part-time employees (day, week) (persons), payroll fund. In addition, changes in the size of the payroll fund, its increase or decrease in relation to the previous year shall be indicated. The personnel programme of the Bank is aimed at providing the level of skills of employees consistent with operational needs of the Bank.

Considering the needs and development of employees as an intellectual capital is one of the most effective strategies for a successful business. Therefore, the Personnel Management Strategy of the Bank is based on the professionalism, efficiency, motivation and attraction of each employee to achieve the Bank's strategic objectives.

The average number of in-house members (persons) of the accounting staff at the Bank in 2021 was 429. 3 people are freelancers. 8 people are dual job holders. 10 people are part-time (day or week) employees.

The payroll fund of JSC BANK ALLIANCE for 2021 was UAH 161,054,174.09 and grew significantly as compared with the payroll fund for 2020, which was UAH 125,251,516.47. The increase of the payroll fund was UAH 35,802,657.62.

Issues relating to the organisation of labour and conditions of employment with the Bank are governed by applicable labour laws of Ukraine, the Bank's personnel management policy, Collective Bargaining Agreement, Internal Labour Regulation Rules, Regulation on Training of Employees, Regulation on the Procedure for Labour Standardising and Payment, Regulation on Rewarding and Extra Payments to Employees, Regulations on Forming and Developing the Human Resource Reserve, Regulation on the Employee Onboarding. They stipulate payments to employees at all levels, wage changes and the payment of material assistance, etc.

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

The gender composition of the Bank's employees (at the year-end): 338 women (67%) / 163 men (34%).

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

CATEGORY	QUANTITY	SHARE
under the age of 30	62	12%
31 to 40 years old	163	33%
41 to 50 years old	204	41%
more than 51 years old	72	14%
TOTAL:	501	100%

The expenses of the Bank for training employees in 2021 amounted to UAH 572,096.29.
In 2021, 45 external training events took place, in which 54 employees of the Bank took part.

During 2021, at the expense of internal reserves, there were:

-- 8 existing electronic courses have been updated (at the request of the Department of Information Security, the Risk Control Department, the IT Department, the Department of Small and Medium Enterprises, the Department of Money Circulation and Control of Cash Operations);

-- 17 new electronic courses were developed (at the request of the Human Resources Department, the Risk Control Department, the Card Business Department, the IT Department, the Department of Microbusiness Development, the Occupational Safety and Health Service, the Department of Cash Flow and Control of Cash Operations);

-- 3 new electronic tests were developed (at the request of the Department of Passive and Commercial Products, the Department of Financial Monitoring, the Department of Microbusiness Development).

The total number of distance learning sessions for electronic courses is 5,490, the percentage of successful completion is 99%, the average score is 81.05 out of 100 maximum.

The total number of remote sessions for electronic tests — 442, the percentage of successfully passed 71%

the affiliation of the issuer with any associations of enterprises, the name and location of the association, the description of the activities of the association, functions and term of the issuer's participation in the relevant association, position of the issuer in the structure of the association

JSC BANK ALLIANCE is a member of the Independent Association of Banks of Ukraine, Ukrainian Credit-Banking Union, Association of Ukrainian Banks, Ukrainian National Committee of the International Chamber of Commerce of Ukraine, European Business Association, UkrSWIFT, Ukrainian Stock Traders and Professional Association of Capital Markets and Derivatives, Ukrainian Interbank Association of EMA payment system.

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

The Ukrainian National Committee of the International Chamber of Commerce (ICC Ukraine) is authorised by the World Business Organization to represent modern business trends in the national territory and promote international cooperation.

Headquartered in Paris, the International Chamber of Commerce has been bringing business together since 1919. Today, the ICC global network includes more than 6.5 million companies, chambers and associations from 142 countries and has a network of 90 National Committees.

ICC develops business rules used by business entities of the world in international and domestic cooperation, in particular: Incoterms, standard international commercial contracts, unified rules for the use of trade financing instruments, articulation practices, etc.

The Ukrainian National Committee of the International Chamber of Commerce (ICC Ukraine) is the first national committee on the territory of the CIS countries. Established in 1998, today it combines national and non-resident companies representing large and medium-sized businesses.

ICC Ukraine is a non-profit organisation. According to the Charter, it is registered as the Association of Enterprises Ukrainian National Committee of the International Chamber of Commerce at 19B Reitarska Street, Kyiv, 01034, Ukraine. Its mission is defined as promoting international trade and investment through the implementation of best international practices.

The Bank is a member of ICC Ukraine since 2018.

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

Combining more than 1,000 companies, the European Business Association is one of the largest business communities operating in the Ukrainian market.

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

The European Business Association and its team are helping to establish partnerships with the government, which is the way to establish business ties with the best international and Ukrainian companies.

EBA members are leading companies that share the best of European business values.

Areas of activity of the association:

- protection of interests of foreign and domestic investors at the highest state level;
- promotion of cooperation between member companies and establishing close contacts between them;
- assistance to enterprises in development in the Ukrainian market, including PR capabilities;
- providing member companies with comprehensive information relating to what's going on in the country and its regulatory environment.

The EBA Kyiv Office is located at 8 Moskovska Street, Kyiv, 01029, Ukraine.

The Bank is an EBA member since 2018.

Ukrainian Stock Traders Association is located at 30 Voznesenska Street, Dnipro 49000.

The association is an open voluntary contractual association of professional participants of the capital market who carry out trade in financial instruments and depository activities.

The Association promotes the development of an open and equitable securities market in Ukraine, ensures the activities of professional stock market participants who are Association members. The Bank is a member of USTA since 10 July 2009 (SRO certificate No. 728).

Independent Association of Banks of Ukraine (IABU) is located at 72 Velyka Vasylkivska (Chervonoarmiiska) Street, 3rd entrance, 3rd floor, office 96, Kyiv.

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

The mission of the association is to comprehensively promote the construction of a stable financial system of Ukraine, solve the problems of the banking system for increased business profitability and development of the national economy.

The main purpose of the Association's activity is:

- protection of the rights and legitimate interests of the Association members;
- representation of the Association members in relations with state bodies, institutions and other persons;
- formation of the position of the Association members on important issues related to the functioning of the banking system, their representation and support in relations with third parties;
- assistance in creation of an effective regulatory framework for effective functioning of the banking system in Ukraine;
- participation in the development of state programmes for the development of the banking system;
- solving specific problems and common problems arising in the banking industry and affecting the rights and interests of the Association members;
- establishing relations with banks and banking associations of other countries;
- creation of a positive image of the banking system of Ukraine;
- promotion of the development and improvement of skills of the banking sector of Ukraine's economy.

«**Association of Ukrainian Banks** is located at 15 Yevhen Sverstiuk, Kyiv, Ukraine.

The Association of Ukrainian Banks (AUB) was established in 1990 as a the all-Ukrainian non-governmental, independent, voluntary, non-commercial organisation.

The main goals and objectives of the Policy are:

- protection of rights and interests of the Association members, whilst providing legal safeguards of their activity;
- articulation of the position of the Association members on important issues related to the functioning of the banking system, its representation and support in relations with third parties;
- promoting establishment of a legal framework for the banking, financial and other business activities;
- designing and formation of ways and areas of development for the Ukrainian economy and banking system in the form of a single comprehensive solution;
- promotion of upskilling and professionalism amongst financial specialists;
- informing the public about activities of the Association members and their role in the economic life of Ukraine;

- facilitating implementation of antitrust laws in the financial sector;
- ensuring mutual trust, reliability, honesty and business partnership in relations between members of the Association and clients;
- ensuring and providing access to the means of non-state independent consideration of disputes through establishment and operation of a permanent arbitration at the Association;
- informing members of the Association about the draft laws and regulations, judicial practices.

The Association does not carry out independent business activity and does not control or manage business activity of its members. The Association exercises its powers and performs tasks on a not-for-profit basis.

THE SWIFT NATIONAL MEMBER AND USER GROUP FOR UKRAINE “UkrSWIFT” is located at 21-A Observatorna Street, Kyiv, 04053, Ukraine.

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

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

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

The Bank is a member of the association since 2013.

The Ukrainian Credit and Bank Union Association is located at 9/2 Klovskyi Descent, apt. 67, Kyiv, Ukraine, 01021.

The association was created with the purpose of promoting the stable development and activity of the banking system of Ukraine, protecting the rights and legitimate interests of the members of the Banking Union, providing them with comprehensive assistance, coordination of their efforts to address the issues facing the monetary system.

Professional Association of Capital Markets and Derivatives (PACMD) (located at 19 Yevhena Sverstiuka Street, office 311, Kyiv, Ukraine) is a professional association in the Ukrainian stock market.

The Association was established in 1996 to represent the interests of all national depository institutions and securities traders.

In 2017, the PACMD reaffirmed its status as a self-governing organisation (SGO) conducting a professional activity (depository activity), and as at 2015 it additionally obtained an SGO status in securities trading.

Since the establishment of the Association, its representatives have participated in the development of a number of specialised regulations: from laws to regulations of advisory nature on the depository activity, securities trading, foreign investment, financial monitoring, corporate governance, disclosure of information, protection of personal data and combating of terrorist financing.

PACMD conducts on a regular basis educational, scientific and practical events dedicated to various aspects of professional activities of stock market participants.

The Bank became a member in PACMD in April 2020 (membership certificate no. 325 dated 4 April 2020).

The Ukrainian Interbank Association of Members of EMA Payment Systems (located at 58 Kakhovska St., Ukraine, Kyiv) is an association of Ukrainian banks that are members of international payment systems.

The EMA Association was created in 1999 as an association of Ukrainian banks that are members of the Europay international payment system, but a few years later it became an association of members of both international payment systems – Visa and Mastercard. Source: <https://www.ema.com.ua/about/>

The EMA Association works to make the use of cashless payment instruments and technologies for calculations and lending in Ukraine an integral element of financial culture, as convenient and familiar as in the G-7 countries and the EU.

Together with the market regulators, the Association forms a legislative and regulatory basis, as well as a national payment program, which provides an opportunity for members of the Association - banks and companies to develop a secure infrastructure for the production and maintenance of payment instruments and services, to increase the profitability of their business, and for consumers of payment services - comfortable and with pleasure to use payment instruments and services for settlements in Ukraine and abroad.

The Bank is a member of the following payment systems:

MasterCard

Principal member of the international payment system MasterCard (name of the payment organisation – MasterCard International Incorporated) with a licence to issue and acquire payment cards.

Official address: 2000 Purchase Street, Purchase, New York 10577, United States of America (US), representative office in Ukraine: 17/52 B. Khmelnytskoho Street, office 404A, 01030, Kyiv, Ukraine

VISA

Principal member of the international payment system VISA (name of the payment organisation – VISA International Service Association) with a licence 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: 19/21 B. Khmelnytskoho Street, office 01030, Kyiv, Ukraine

PROSTIR

Member of the National Bank of Ukraine “Ukrainian Payment Area (Prostir)” (name of payment organisation – the National Bank of Ukraine) with a licence to issue and acquire payment cards.

UKRCARD

Member of the national payment system UKRCARD (name of the payment organisation – PRIVATE JOINT STOCK COMPANY “UKRAINIAN NATIONAL PAYMENT CARD”) with a licence to issue and acquire payment cards.

Official address: 19 Ordasha Street, village Bezpechna, Skvyrskyi District, Kyiv Region, 09025, Ukraine

the joint activities that the issuer conducts with other organisations, enterprises, institutions, whilst the amount of deposits, the purpose of the deposits (profit, other purposes) and the received financial result for the reporting year for each type of joint activity are indicated

The Bank did not co-operate with other organisations, enterprises and institutions.

any proposals for reorganisation by third parties that took place during the reporting period, the conditions and results of these proposals

During the year 2021, JSC BANK ALLIANCE did not receive any proposals for reorganisation by third parties.

description of the chosen accounting policy (depreciation method, method of inventories valuation, method of accounting for and valuation of financial investments, etc.)

The Bank's accounting policies are based on the accounting rules in accordance with the requirements of laws and regulations of the National Bank of Ukraine, which take into account the requirements and principles of International Financial Reporting Standards (IFRS). Financial assets and/or financial liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of financial instruments. All regular way (ordinary) acquisitions of financial assets are recognised by the Bank on a settlement date. Assets and liabilities of the Bank are measured and recognised in accounting records with reasonable prudence in order to avoid the possibility of carrying forward the existing financial risks to future reporting periods. An asset is recognised when an inflow of future economic benefits is probable

and the asset has a cost or value that can be reliably measured. A liability is a present obligation of the Bank arising from past events, the repayment of which entails the outflow of the Bank's resources.

Initial recognition of financial instruments

Financial Assets

According to the International Financial Reporting Standards (IFRS) 9, financial assets are classified in one of three categories:

- at amortised cost (AC);
- at fair value through other comprehensive income (FVOCI);
- at fair value through profit or loss (FVTPL).

At initial recognition, financial assets are evaluated at fair value plus (in case of investments not classified as financial assets at FVTPL) directly attributable transaction costs.

If on the date of initial recognition, the fair value of financial asset differs from the transaction price (excluding the transaction costs), the Bank reflects this difference as follows:

- for transactions with shareholders: in equity;
- for other transactions: in profit or loss.

All standard financial asset transactions are reflected on the date of transaction, that is, on the date when the Bank assumes an obligation to acquire the asset.

Classification and measurement of financial assets reflect the business model of managing the financial assets and characteristics of their cash flows.

A financial asset is measured at AC, if the following conditions are met simultaneously:

- an asset is held within a business model aimed at holding assets to collect contractual cash flows;
- the contractual terms of a financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is classified for further measurement at FVOCI, if it is held within the business model whose objective is to hold assets both to collect contractual cash flows and sell financial assets; and the contractual terms of a financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank may take an irrevocable decision to reflect further changes in the fair value of the instrument in other comprehensive income. This choice is made for each investment separately, and mainly concerns strategic investments that are not investments in subsidiaries.

All other financial assets, that is, financial assets that fail to meet the requirements of classification at AC or FVOCI are classified for further measurement at FVTPL. In addition, the Bank has the right, at initial recognition, without the possibility of changing the recognition methods, to subsequently designate an asset for the financial asset at FVTPL, if such a choice eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on different bases.

Financial liabilities

After the initial recognition, the Bank measures and records in accounting all financial liabilities at AC, except for:

- financial liabilities at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or the continuing involvement principle applies;
- financial guarantee, avalisation and surety agreements;
- commitments to provide a loan at a below-market interest rate;
- contingent consideration that arose from a business combination falling within the scope of IFRS 3 Business Combinations. Such a contingent consideration is subsequently measured at FVTPL.

Impairment of financial assets

The calculation of expected credit losses (ECLs) requires the use of accounting estimates and judgments when applying the Bank's accounting policy.

The Bank evaluates, on a forward-looking basis, the ECLs for asset-side debt instruments measured at AC and FVTPL and for the exposures arising from loan commitments, lease receivables and financial guarantees. The Bank charges an ECL allowance at each reporting date.

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

An estimate of ECL allowance for financial assets at AC or at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and debt servicing status.

Significant judgments required when applying the accounting requirements to estimate ECLs include:

- determination of criteria for a significant increase in credit risk;
- selection of appropriate models and assumptions to measure the ECLs;
- determination of the number and relative weights of the forecast scenarios for each type of product / market and relevant ECLs;
- determination of groups of similar financial assets to measure ECLs.

For the Bank, the credit risk is determined by the risk of incurring financial losses, if any counterparty, customer or market partner fails to fulfil its contractual obligations. The credit risk arises mainly under the interbank, commercial and consumer loans, as well as loan commitments granted in connection with such lending activities, but may also arise from pledging a security in the form of financial guarantees, letters of credit and bills of acceptance.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time.

The assessment of credit risk for a portfolio of assets entails further estimations of the probability of default, associated loss ratios and default correlations between counterparties. The Bank estimates the credit risk using probability of default (PD), exposure at default (EAD) and amount of loss given default (LGD).

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

Financial instruments in Stage 1 have their ECLs measured at an amount equal to the portion of lifetime ECLs that may result from default events during the next 12 months. Financial instruments in Stage 2 or Stage 3 have their ECLs measured based on the credit losses expected from the default events for the entire lifetime of the instrument.

According to IFRS 9, when calculating the ECLs, it is necessary to take into account the forward-looking information. Purchased or originated financial asset that are credit-impaired are financial assets that are credit-impaired on initial recognition. The ECLs for such instruments are always measured based on the lifetime ECLs.

Impairment of property, plant and equipment and intangible assets.

Depreciation (amortisation) represents a systematic allocation of the depreciable amount of an asset over its useful life.

Property, plant and equipment (intangible assets) are depreciated (amortised) over the period of their useful lives set by the Bank on initial recognition, and are reviewed at each financial year-end during the annual stocktaking and adjusted as appropriate.

Depreciation of property, plant and equipment is calculated using the straight-line method based on their cost, residual value and useful life, for which the annual amount of depreciation is determined by dividing the depreciable amount of an asset by its useful life.

Useful lives of property, plant and equipment are presented as follows:

Buildings and constructions	50 years
Vehicles	7 years
Furniture	5 years
Computer and other equipment	5 years
Tools, fixtures and fittings	5 years

Other PP&E

12 years

Improvement of leased space

until the end of the lease
term

Depreciation of low-value non-current tangible assets is charged in the first month of an asset's use in the amount of 100% of its value.

Useful lives of intangible assets range from 2 to 10 years.

Main services that earned the Bank 10 or more percent of income for the reporting year

During 2021, the Bank demonstrated strong growth rates for all key performance indicators, in particular, as at 1 January 2022:

- the balance currency amounted to UAH 11,483 million (+56%);
- credit portfolio of customers – UAH 3,907 million (+30%);
- amounts due to customers – UAH 7,697 million (+49%);
- capital – UAH 913 million (+57%).

This, in turn, resulted in the growth of returns in certain business areas and the Bank's profitability as a whole. Thus, for the year ended 31 December 2021, the Bank's profit totalled UAH 331 million.

The total revenue was UAH 1,710,702 million, including:

INCOME ITEM	AMOUNT, UAH '000	SHARE, %
Interest income	728 633	42,6%
Commission income	542 118	31,7%
Trading result	419 207	24,5%
Income from other operations	20 744	1,2%
TOTAL:	1 710 702	100,00%

Therefore, the majority of the Bank's income is the interest income, the main component of which is the interest income from corporate lending (95% of total interest income of the Bank). **Corporate lending** is a priority area of the Bank's development. The strategy of corporate business development involves financing in the segment of small- and medium-sized businesses in the following promising areas of the economy:

- agriculture;
- foreign economic activities;
- mechanical engineering;
- oil and gas;
- energy sector;
- transport and infrastructure;
- processing industry;
- wholesale trade, including in energy carriers, mineral fertilisers, etc.;
- medical services;
- companies servicing the industries above.

The Bank carries out a balanced credit policy and pays considerable attention to the formation of a qualitative loan portfolio. Credit operations are carried out with the observance of 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 2021, the portfolio of **documentary business** of the Bank continued to grow. In the guarantee service segment, the Bank issues bid bonds, performance bonds, payment guarantees, advance repayment guarantees, IATA payment guarantees. The share of commission income in the documentary business is the

most significant in the structure of commission income and amounts to 62% of the total commission income or 20% of the total income of the Bank.

In addition to the asset-side transactions, the Bank actively expands the range of settlement and cash services and other services for both corporate and retail segments. In developing and implementing new products, the Bank takes into account the individual needs and activities of its clients. In general, the Bank's activities are not seasonal, but they depend, to some extent, on the seasonality of its clients. The total share of **commission income from settlement and cash service** (excluding documentary transactions) at the end of 2021 was 12%.

During reporting period JSC BANK ALLIANCE actively participated in the trade of securities in the Ukrainian stock market. The Bank received UAH 419 million of trading income, the main share of which was obtained precisely from transactions with securities (405 million hryvnias, or 24% of the Bank's total income).

Below is the table of discrepancies with a breakdown of key indicators of the Bank's performance in comparison to the budget as at 1 January 2022:

KEY INDICATOR	TARGET	ACTUAL	Δ
Credit portfolio of customers	3 928 347	3 906 928	-1%
Portfolio of amounts due to customers	4 468 945	7 697 311	+72%
Net assets	7 231 304	11 483 252	+59%
Operating profit	604 889	1 103 521	+82%
Total profit	87 849	331 059	+276%

The Bank exceeded the plan with several key performance indicators, e.g. the year-end total profit is more than three times the target figure. The results of 2021 provide significant confidence in achieving the strategic objectives set by the Bank for 2022-2024, stipulated by the Strategy of the JSC BANK ALLIANCE for 2022–2024, which was approved by the decision of the Supervisory Board of the Bank dated 28 December 2021 (Minutes No. 97).

Detailed information relating to financial performance of the Bank based on the results of the reporting year is provided in the annual financial statements of JSC BANK ALLIANCE for 2021.

Basic acquisitions or disposals of assets over the past five years. If an enterprise plans any significant investments or acquisitions related to its business activities, they must be described, including material terms of purchase or investment, their cost and method of financing

Key acquisitions of assets for the last five years were as follows:

For 2017:

- ABS SR-Bank Operating Day software products – UAH 1,268,483.34;
- Personal computers, MFPs, laptops, routers, UPS – UAH 1,121,157.91;
- Oracle Data Base software product licence – UAH 1,026,555.28

For 2018:

- Lenovo Flex System server – UAH 2,799,063.68;
- Cash collection vehicles (leasing) – UAH 2,507,403.44;
- Personal computers, multi-function printers, laptops, routers – UAH 1,356,642.48.

For 2019:

- Personal computers, MFPs, laptops, routers – UAH 4,473,843.94;
- Cash collection vehicles (leasing) – UAH 2,700,000.00.

For 2020:

- De Novo data centre server – UAH 7,217,139.82;
- Personal computers, multi-function printers, laptops, routers – UAH 2,418,843.02.

For 2021:

- Licence for the right to use the VISA trademark and PRINCIPAL MEMBERSHIP licence – UAH 3,000,118.00.

There were no alienations of key assets during the last five years.

There have been no alienations of assets in excess of the limits established in the charter of the financial institution.

Transactions with major shareholders, members of the supervisory board or members of the executive body, affiliates, including, in particular, all transactions concluded during the reporting year between the issuer or its subsidiaries / affiliated enterprises, separate units, on one hand, and major shareholders, members of the supervisory board, or members of the executive body, on the other hand. These transactions include: the date, the parties to the transaction, scope of transaction, amount, basis of conclusion and pricing method used by the issuer to determine the transaction amount and, if necessary, other information

General information relating to these transactions is provided by the Bank in Note “Related Party Transactions” to the annual financial statements of JSC BANK ALLIANCE. Detailed information relating to the dates, parties to the transaction, scope, amounts, basis for conclusion and pricing methods used by the Bank to determine the amounts of transactions is information relating to bank secrecy within the limits specified in Article 60 of the Law “On Banks and Banking Activities”, the disclosure of which was not consented by transaction participants.

The Bank's principal assets, including leased assets and any significant Bank's transactions with such assets; production capacity and wear and tear; way of holding assets, location of property, plant and equipment. In addition, it is necessary to describe environmental issues that may affect the use of enterprise assets, plans for capital construction, expansion or improvement of property, plant and equipment, the nature and causes of such plans, the amount of expenditures, including those already made, description of financing method, projected dates of beginning and end of activity and expected growth of production capacity after its completion

Name of PP&E (at residual value)	PP&E owned (UAH '000)		PP&E rented (UAH '000)		PP&E, total	
	(UAH '000)					
	beginning of the period	end of the period	beginning of the period	end of the period	beginning of the period	end of the period
1. Production purpose:	37 398	67 897	422	342	37 820	68 239
buildings and structures	0	0	0	0	0	0
machinery and equipment	16 112	26 805	0	0	16 112	26 805
vehicles	3 431	2 511	422	342	3 853	2 853
land plots	0	0	0	0	0	0
other	17 855	38 581	0	0	17 855	38 581

2. Non-production purpose:	0	0	0	0	0	0
buildings and structures	0	0	0	0	0	0
machinery 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	37398	67 897	422	342	37 820	68 239

As at 31 December 2021, the cost of property, plant and equipment was UAH 121,381 thousand and the amount of depreciation charged was UAH 53,142 thousand. Wear and tear of property, plant and equipment is 43.79 %. The cost of fully depreciated property, plant and equipment amounted to UAH 9,113 thousand.

The Bank rents premises at the following addresses:

1. 50 Sichovykh Striltsiv Street, 1st and 2nd floors, Kyiv;
2. 50 Sichovykh Striltsiv Street, 2nd, 6th and 8th floors, Kyiv;
3. 17 Metalurhiv Avenue, Zaporizhia;
4. Zhytomyr Region, Zhytomyr, 9/5 Teatralna Street;
5. 28 Voskresenska Street, Dnipro, Dnipropetrovsk Region;
6. 15 V Stefanyka Street, apt. 2, Lviv, Lviv Region;
7. 66 I. Franka Street, apt. 2A, Lviv, Lviv Region;
8. 5/1 Bazarna Street, Odesa, Odesa Region;
9. 65 Chernyshevskaya Street, Kharkiv, Kharkiv Region;
10. 8 Tsentralna Square, Chernivtsi, Chernivtsi Region;
11. 44 Metrolohichna Street, premises 43/4, Kyiv;
12. Mykolaiv region, Mykolaiv city, Tsentralniy avenue, 79;
13. 5R Myru Avenue, Chornomorsk, Odesa Region;
14. 16-A Haharina Street, Kremenchuk, Poltava Region;
15. 44 Mykhaila Hrushevskoho Street, Korosten, Zhytomyr Region;
16. 78 Keletska Street, Vinnytsia, Vinnytsia Region;
17. Kyiv, 10/1 Sobornosti Ave.;
18. 4 9-ho Travnia Street, Sumy, Sumy Region;
19. 11 Teatralna Street, office 44, Bila Tserkva;
20. 112 Velyka Vasylkivska Street, Kyiv;
21. Kherson region, Kherson city, Ushakova avenue, 32;
22. 5/5 Bazarna Street, Odesa, Odesa Region;
23. 31 Nebesnoi Sotni Street, Cherkasy, Cherkasy Region;
24. 4 Piatnytska Street, Chernihiv, Chernihiv Region;
25. 30/12 Sobornosti Street, Poltava, Poltava Region;
26. 1-B Khantadze Street, Chornomorsk, Odesa Region;
27. 22 Aeroportivska Street, Odesa, Odesa Region;
28. 71v Shabska Street, Uzhhorod, Zakarpattia Region;
29. 14 Soborna Street, Kropyvnytskyi, Kirovohrad Region.
30. Kyiv, 32/2 Moskovska St., 17th floor;
31. Kyiv, 32/2 Moskovska St., 1st floor
32. Kyiv, Moskovska St., 32/2, parking lot;
33. Kyiv, Tadeya Rytskyi blvd., bld. 1;
34. Khmelnytskyi region, Khmelnytskyi, 11 Shevchenko Street;
35. Kyiv, Kiltseva doroga, 1;
36. Kyiv, Kiltseva doroga, 1 (7 square meters);
37. Kyiv, Myru St., 19;
38. Cherkasy Region, Cherkasy City, 72 Heroiv Kholodny Yaru Street;

39. Sumy region, Sumy city, Illinska street, 13;
40. Kyiv, Dniprovska Naberezhna street, building 16-a;
41. Kharkiv region, Kharkiv city, Klochkivska street, 188

No capital construction is expected.

Issues that affect the issuer's activities; the degree of dependence on legislative or economic constraints (significant risk factors that affected the activities throughout the year)

Amongst the key risks affecting the Bank's operations, the Bank distinguishes the following:

- military escalation in eastern Ukraine, threatening macroeconomic efficiency and stability;
- the spread of the COVID-19 pandemic, which has and will have negative consequences for the national economy and is a major challenge to macro-financial stability;
- negative dynamics in the growth of external debt, which increases the risk of default and the risk of the currency crisis;
- development of the non-banking and fintech sector and, as a result, increased competition in the financial market and an increase in the cost of customer involvement in servicing the Bank;
- stagnation of real estate prices, high depreciation and low liquidity reduce the value of collateral and, accordingly, increase the level of credit risk.

In addition, the National Bank of Ukraine implemented a number of legislative and economic reforms that had and will have a significant effect on the Bank's operations. In particular, regulations applicable to banking operations (the need to reorganise the Bank's risk management and corporate governance system / gradual implementation of new capital requirements [activation of capital buffers, changing methods for calculating the regulatory capital, creating capital for operational and market risks, etc.] / introduction of new liquidity ratio – NSFR / gradual introduction of increased risk weights for unsecured consumer loans, which led to, on one hand, a significant increase in the Bank's cost of operation and, on the other hand, a shortfall in the Bank's earnings, since it was forced to hold a larger amount of liquid assets and non-working capital, which ultimately reduces the return on equity and limits opportunities for its increase.

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

The key ways to increase the authorised capital and, thus, the regulatory capital of the Bank in the 2021-2023 horizon are the profit from the Bank's current operations. Furthermore, to improve the financial stability of the Bank, it is planned to make additional contributions to increase its authorised capital and raise funds on subordinated debt terms (during 2021 the Bank has already raised UAH 160 million on subordinated debt terms).

The capitalisation plan is based on a range of assumptions, takes into account the need to follow laws and regulations of the National Bank of Ukraine on the minimum regulatory capital ratio and capital (conservation) buffer and contemplates the Bank's compliance with the following conditions:

- to maintain the pace of intensive development, the Bank will actively attract additional funds, first of all, from individuals and legal entities, with the aim of their further placement in the credit and investment portfolio, which will allow to increase the level of income to the Bank
- The Bank will continue to adhere to the policy of strict control of non-operating costs and capital investments. This will allow to optimise the level of administrative and economic costs, in the context of expansion of the network of regional branches of the Bank, which, in turn, will have a positive effect on the overall level of the Bank's profit;
- The Bank plans to invest in intangible assets, in particular, to implement a number of IT projects, comply with the requirements of the National Bank of Ukraine on the quality of the Information Security Management System. This will allow us to adhere to the appropriate technical level of the Bank's development to ensure financial and economic activity.

Actions above will lead to an increase in regulatory capital, which will allow to maintain the Bank's solvency at an adequate level and thereby comply with the capital ratios N1, N2 and N3, ensuring the level of growth of assets in accordance with the Bank's strategic objectives.

Cost of concluded but not yet executed agreements (contracts) at the end of the reporting period (total) and expected returns from execution of these agreements

As at 01 January 2022, the following were accounted in the Bank's accounts:

9210 Currency and Precious Metals for Delivery under Spot Transactions, account 9231 Currency and Precious Metals for Delivery under Forward Contracts at FVTPL settled on a net basis (without shipping the underlying item), account 9238 Commitment for Delivery of Currency under Net-settled Currency Swap Contracts at FVTPL (without Delivery of the Underlying Asset) under forward contracts totalled UAH 2,075,623,262.65.

The expected profit under the contracts is not received.

The further activity strategy for at least a year (regarding expansion of production, reconstruction, improvement of financial condition, description of significant factors that may affect future activities)

The management has a high level of responsibility for preparing the Bank's Development Strategy for years to come and for monitoring its implementation on a regular basis. Thus, the Board decided on 28 December 2021 (Minutes No. 97) to approve the updated version of the Strategy of JSC BANK ALLIANCE for 2022-2024.

In the context of the approved Strategy, JSC BANK ALLIANCE confirms its commitment to the principles of transparency and accountability in its daily activities and makes efforts to achieve high standards of service at the Bank with 100 % Ukrainian capital.

In addition to the key goals the management is focused on the following:

- Creation of a roadmap for development in the coming years.
- Account for existing opportunities in the banking market.
- Concentration of efforts and resources in the priority areas.
- Business development:
 - increasing the volume of transactions and the number of customers;
 - capitalisation of business and growth of its value;
 - growth of return on equity (ROE);
 - enhancing brand awareness.
- Ensuring a sustainable business model:
 - capital adequacy;
 - caution in conducting credit operations;
 - optimal ratio of interest to commission income.
- Structure, technology and process optimisation.
- Increasing the quality of customer service.
- Diversification of the resource base (including from international organisations).
- Corporate governance improvement.

In accordance with the Bank's business model, to achieve its strategic goals, the Bank identifies the following priority business areas:

- Corporate banking with a focus on microbusiness and SME segments.
- Retail banking;
- Investment banking.

Corporate customer service is the highest priority for the Bank in 2022-2024, corporate banking will remain key to the Bank and will form the major part of the loan portfolio and revenues to the Bank. The key priority of the Bank is microbusiness and SME segments. The logic of choosing this segment is to limit excessive dependence on large customers. A separate segment of customers is international companies and banks with which the Bank plans to cooperate in a number of projects concerning financing of separate sectors (in particular, agriculture) and the economy of Ukraine as a whole. In its activities, the Bank adheres to the policy of environmental and social responsibility, therefore "green" financing is considered one of the priority

lending areas – projects on renewable energy sources, energy efficiency, modernisation of buildings and structures, etc.

Retail Business Development Strategy aims to increase the customer base, improve quality of customer service by introducing an optimal product range, design a model of selling retail products in branches, balanced credit policy, optimise business processes, improve the Bank's technological effectiveness. In the retail group, the Bank focuses on the private banking segment, which underscores its selective approach to servicing retail customers, including by benefiting from their connection with the corporate segment at the level of top management and business owners, which is another priority of the Bank. The Bank sees mortgage lending as one of the priority areas of lending to individuals.

Investment banking comprises operations in the interbank market and securities market. Interbank operations will be carried out mainly for the Bank to earn trading income from operations in the interbank exchange market of Ukraine and the international foreign exchange market, and to manage the instant and current liquidity of the Bank by reference to risks and value in order to ensure that the Bank is solvent and timely fulfils its obligations to its customers and counterparties. In order to timely execute transactions with banks as contractors, as well as for the prospect of business development, additional income and expansion of banking services, a collection unit has been established in the organisational structure of the Bank. The strategy for the development of transactions with securities and monetary instruments for 2021-2023 contemplates further development of the Bank in three areas: investing in securities and monetary instruments, trading with securities and provision of custody services

In order to ensure efficient operation, growth and development of the Bank, introduction of the latest technologies and modern banking services, the Bank has the following strategic objectives for information systems and banking technologies:

- continuous improvement of the quality of IT services for internal users and external customers of the Bank through automation of banking processes;
- continuous development and improvement of the level of information security of the Bank's information infrastructure, including for confronting external and internal cyber threats;
- continuous development and improvement of the level of continuity of the Bank's information infrastructure;
- development and improvement of the Bank's information infrastructure;
- introduction of new technologies into the Bank's information systems;
- promoting the best use of the Bank's resources.

The business lines generating sufficient revenues will enable achieving both the financial and non-financial goals of the Bank.

The main criteria for measuring success are achieving the financial targets, implementation of key projects, compliance with the established levels of risk appetite and full compliance with the requirements of regulators and the laws of Ukraine in general.

Social responsibility

Since 2016, JSC BANK ALLIANCE has been implementing its own social and charity programmes, works on creating a positive image and tries to get involved in solving social problems of the country as often as possible. Charity projects are not a one-off spontaneous manifestation of charity, but a separate focus of the development strategy and an opportunity to have positive effect on society.

By providing sponsorship and charity support, JSC BANK ALLIANCE:

- supports initiatives related to education, culture and conducts children's sports competitions, supports sports teams;
- makes targeted charitable donations;
- helps children with cancer, etc.

In terms of social activities, the priority beyond doubt is to help children. The Bank pays attention to both charity and sports and culture development programmes. Over the last years, every 19th of December, JSC BANK ALLIANCE has been directing a part of its annual income to charity. In 2018, the Bank donated washing and drying machines, rehabilitation room furniture, fruit and sweets to Zinkivskyi Orphanage named after O.V. Siniahovskiyi that accommodates 129 children suffering from defects of varying severity degrees, cerebral palsy and mental retardation.

In May 2019, JSC BANK ALLIANCE joined #Mamaporuch ('the mother is near' – translator's note) flash mob organised by Zaporuka foundation. The purpose of flash mob was to help build a new Dacha centre,

which may serve as a home for the time of treatment of children with cancer. Dacha centre is the only residential building in Ukraine, where children with cancer and their family members may come from all parts of Ukraine, live and get treatment. The bank could not help but make a corporate donation to support the construction of the Dacha centre for children with cancer.

Traditionally, at the end of the year, the Bank sends help to children who are currently in need of help. Partly owing to our clients, the Bank transferred sterilisation equipment to a children operating room of the National Cancer Institute. Every year the National Cancer Institute provides treatment for 300 children from all parts of Ukraine. These children have the severest types of malignancies. Each child undergoes surgery or any other procedure that uses sterile tools. Availability of a high-quality sterilisation equipment in the operating room ensures modern conditions of surgery. The most valuable results of social investments in future generations for the Bank are healthy, educated and happy children, who will further become the foundation of the Ukrainian nation.

Alliance Bank is a permanent sponsor of Ukraine's most spectacular tennis tournament KYNG Cup.

As part of the COVID-19 counteraction, in 2020 the Bank purchased ventilators and donated them to hospitals.

One of the most important projects of 2021 was the "Forum of Good Deeds", created by the Golda Meir Institute for the Development of Civil Society with the support of the Bank. In 2021, the Forums talked not only about business philanthropy, but also about social activism. The main goal is to demonstrate on real stories that everyone can do good. But there is also a secondary one - to create a dialogue with the authorities so that opinion leaders, startup owners, representatives of SMEs can develop in this direction without obstacles and popularize social responsibility in society.

Description of research and development policy, amount of research and development costs for the reporting year

The Bank carries out marketing researches to make strategy-related managerial decisions in a particular area, enter new markets / niches, promote new products / services, set tariff policies, use advertising tools and methods for promoting products / services, etc. The marketing researches are carried out exclusively within the limits of the budget approved by the Supervisory Board, with the involvement of a third party in accordance with internal regulations of the Bank. Both business units and the Marketing Department may initiate marketing researches. In the reporting year, the Bank did not use the services of this nature.

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

The internal control system implemented by the management of JSC BANK ALLIANCE covers all areas of the Bank's activities and is aimed at preserving assets, efficiency of banking operations and efficient management of risk, assets and liabilities, ensuring the completeness, timeliness and reliability of accounting, compilation and providing financial, statistical reporting, etc. One of the components of the internal control system is the Internal Audit Service. The Service verifies and assesses the processes that ensure the Bank's activities and puts potential risks, determines the effectiveness and adequacy of the work of risk management systems, the Bank's management processes and the compliance of these systems / processes with the types and volumes of operations performed, including on the prevention of the use of the banking system for the legalisation of criminal incomes / terrorist financing. Auditors have special powers to perform their functional duties, whilst respecting the principles of independence, objectivity and impartiality, due diligence, professional competence and ethics. On the basis of internal regulatory documents and audit procedures in 2021, the Service carried out 7 inspections - Audit of the bank's performance of currency control functions, Audit of the information security management system and the bank's recovery plan, Audit of the work of the Cherkasy branch of the bank, Audit of receivables, Audit of work with problem assets, Audit of the bank's compliance with the requirements of Ukrainian legislation on the prevention and countermeasures of legalization (laundering) of proceeds obtained through crime, financing of terrorism and financing of the proliferation of weapons of mass destruction, Audit of credit operations.

The results of audits were reported to the Supervisory Board and the Bank's 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 the implementation of the provided recommendations.

According to the results of the 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 the limits of their functional duties.

To ensure the improvement of the internal control system, the Bank constantly upgrades the qualification of its staff (including organisation and control of the training process). As a result of monitoring the Bank's activities and internal controls during 2021, minor irregularities were identified that did not lead to risks and were eliminated upon identification. The current internal control system of the Bank indicates that the implemented internal controls are adequate and are being effectively used. The Bank's internal control system requires continued improvement and development.

Information relating to the recommendations of the authorities that carry out the state regulation of financial services markets regarding the auditor's report

Recommendations of the regulators of financial services markets regarding the auditor's report based on results of the audit of the annual financial statements of JSC BANK ALLIANCE for the year ended 31 December 2021 were not provided.

Information relating to the external auditor of the Bank

In 2021, BAKER TILLY UKRAINE LLC, identification (USREOU code) number is 30373906 and registered at 3 Hrekova Street, apt. 9, Kyiv, 04112, Ukraine was appointed as the auditor of JSC BANK ALLIANCE.

Total experience of auditing:

BAKER TILLY UKRAINE LIMITED LIABILITY COMPANY is an independent Ukrainian company that provides audit, business consultancy, independent valuation and accountancy services; it is one of the leaders on the national market, an independent member of Baker Tilly International. The company is one of the largest auditing companies in Ukraine. The total experience since it was included in the register of audit firms and auditors is more than 19 years (ACU Certificate No. 98 dated 26 January 2001).

The number of years during which the audit services were provided to the financial institution:

BAKER TILLY UKRAINE LLC has been providing JSC BANK ALLIANCE with services of the audit of annual financial statements for four years: 2016, 2017, 2018, 2019, 2020 and 2021.

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

In 2021, the Bank engaged "KRESTON UKRAINE" LIMITED LIABILITY COMPANY to audit the activities of the Internal Audit Service of BANK ALLIANCE JSC over the past 5 years of activity.

There were no conflict of interest and/or combining functions of an internal auditor:

There were no cases of conflict of interest and/or combining functions of an internal auditor for 2021

Rotation of auditors in the financial institution during the last five years:

The annual financial statements for 2015 were audited by AUDIT-SERVIS INK Limited Liability Company (identification (USREOU) code 13659226). The annual financial statements for 2016, 2017, 2018, 2019, 2020 and 2021 were audited by BAKER TILLY UKRAINE LLC (identification (USREOU) code 30373906).

Penalties imposed by the Auditing Chamber of Ukraine on the auditor during the year and untrue accounts submitted by the Bank, as confirmed by the auditor's report and revealed by bodies that carry out the state regulation of the financial services markets:

There is no information relating to penalties imposed on BAKER TILLY UKRAINE Limited Liability Company by the Auditing Chamber of Ukraine in 2021. There are no facts that JSC BANK ALLIANCE submitted untrue accounts, as confirmed by the auditor's report and found by the bodies that carry out the state regulation of financial services markets.

Bank's protection of rights of consumers of financial services

In order to ensure appropriate protection of rights of consumers of financial services, the Bank has established certain procedures that outline the sequence of actions to be taken by its employees when interacting with customers and responsible units of the Bank particularly when receiving, reviewing, examining and answering customer complaints. The Bank takes all appropriate measures to prevent any incidents related to violation of rights of consumers of financial services, which may lead to violations of the law of Ukraine and regulations issued by regulating authorities, internal regulations of the Bank, reputational risk, etc.

On August 19, 2021, the Compliance Department carried out an inspection on the issue of the organization of control over the protection of consumer rights: JSC BANK ALLIANCE's compliance with the requirements for information in advertising and on the Bank's website, compliance with the provisions of the Law of Ukraine dated 12.05.1991 No. 1024-XII "About protection of consumer rights", 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 regarding the protection of consumer rights when opening accounts with the Bank, depositing free funds in a deposit account at the Bank, when lending to individuals, etc.

For the purpose of the Bank's effective work with individual clients, the Bank has introduced the Public Contract for Integrated Banking Services for Individuals JSC "BANK ALLIANCE" (hereinafter - the Contract), which is a public proposal (offer).

Information for consumers of financial services, used during the implementation of the Bank's public offer (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) using 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) via the link <https://bankalliance.ua/deposits>;
- providing a loan through a link <https://bankalliance.ua/credit>;
- rental of an individual safe for storing valuables in the Bank via the link <https://bankalliance.ua/safes>;
- carrying out transactions on the terms of margin trading for resident individuals using the link <https://forex.bankalliance.ua/>;
- transactions with banking metals by reference <https://bankalliance.ua/metals>.

Other services:

- financial instruments trading operations via the link <https://bankalliance.ua/securities>;
- depository activity by link https://bankalliance.ua/for_business/depository;
- money transfers via the link <https://bankalliance.ua/transfers>;
- instant transfers from card to card using 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 (offer) implies his consent to the specified conditions for the provision of banking services and is confirmation that he is familiar with its conditions and gives his consent to the specified conditions for the provision of banking services and undertakes to comply with them.

The procedure or 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 on the website 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 the various offers of the Bank in order for the consumer to make a reasoned decision to conclude the corresponding agreement, including taking into account the choice of a certain type of loan .

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

During the 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" (chapter IV in the version of the Law of Ukraine No. 533-IX dated 17.03.2020 with amendments) during the period of quarantine related to the coronavirus disease (COVID- 19). The bank did not increase interest rates for the use of credit by individuals during the period of quarantine.

Organization of internal control over compliance with the Law of Ukraine dated 12.05.1991 No. 1023-XII "On Protection of Consumer Rights", Law of Ukraine No. 1734-VIII dated 15.11.2016 "On Consumer Lending" when lending to individuals 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 in 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 the causes of their occurrence and take the necessary measures to minimize them in accordance with internal bank procedures.

- the state of consideration by the Bank during 2021 of complaints regarding the provision of financial services (nature, number of complaints received and number of satisfied complaints): 20 (generally related to the quality of service provided by the Bank), of which, according to the results of the analysis:
 - 18 - are not justified;
 - 2 – e justified;
- presence of lawsuits in court regarding the provision of financial services by the Bank and the results of their consideration: none.

In accordance with the Bank's internal regulatory acts, the person authorized to consider complaints is the responsible employee - the executor, who is determined by the Chairman of the Management Board or, in the case of receiving an Appeal to the Contact Center - the Deputy Chairman of the Management Board (according to the distribution of powers), after receiving the appeal, considers it and based on the results of the study and inspections, prepares a response to the Client's Appeal and signs it with the Chairman of the Board, Deputy Chairman of the Board. There can be several responsible employees, the main one is considered to be the one determined first in the resolution of the Chairman of the Board/deputy Chairman of the Board or determined by them separately.

Measures of influence applied by the government bodies to the Bank during the year, including members of its supervisory board and executive body

In 2021, no measures of influence were applied by the government bodies to the Bank during the year, including to members of its supervisory board, executive body or its officials.

Transactions with related parties, including within one industrial and financial group or other association during the year

As provided in Article 52 of the Law of Ukraine "On Banks and Banking", transaction with Bank's related parties may not be made on more favourable terms and conditions than the transactions made with other parties.

Balances of related party transactions as at 31 December 2021

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Due to customers	26 578	6 813	1 436
Loans and advances to customers	33 950	62	2 789
Provision for loan impairment as at 31 December	138	9	797

Income and expenses on related party transactions for 2021 (Year To Date)

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Interest income	10 215	9 048	157
Interest expense	1 195	884	63
Commission income	942	4	3
Administrative and other operating expenses	-	36 783	2 183

Total amount of loans issued to related parties and reimbursed by the related parties within 2021 (Year To Date)

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Amount of loans issued to related parties for the period	252 306	73 526	4 010
Amount of loans repaid by related parties for the period	304 327	100 396	1 434

Executive management remuneration (UAH '000)

Line	<i>In thousands of UAH</i>	31.12.2021		31.12.2020	
		expenses	accrued liabilities	expenses	accrued liabilities
1	Current payments to the employees	29 089	4 689	21 047	3 413
2	Layoff costs	-	-	-	-

6.12. Information relating to significant transactions or interested party transactions or about prior consents given to significant transactions or interested party transactions and information relating to persons interested in the interested party transactions and the circumstances giving rise to the interest

On January 26, 2021, the General Meeting of Shareholders of "BANK ALLIANCE" JSC adopted a decision (minutes dated January 26, 2021): to set the maximum possible amount of obligations under the General Credit Agreement for a period of one calendar year from the date of adoption of this decision

3,500,000,000.00 UAH. (three billion five hundred million hryvnias 00 kopecks), and in the part of the value of the pool of pledged assets - for the total amount of 8,000,000,000.00 hryvnias. (eight billion hryvnias 00 kopecks), which is more than 50% of the value of the assets of JSC "BANK ALLIANCE" according to the

latest annual financial statements. This decision concerns both the amount for a separate application and the total amount of transactions that can be concluded with the National Bank of Ukraine for refinancing operations (including overnight) within the relevant General Credit Agreement and not repaid by BANK ALLIANCE JSC.

On November 26, 2021, the General Meeting of Shareholders of BANK ALLIANCE JSC adopted decisions (minutes No. 3/2021 dated November 26, 2021):

on establishing the maximum possible amount of obligations under the General Credit Agreement in the amount of UAH 3,500,000,000.00. (three billion five hundred million hryvnias 00 kopecks), and in the part of the value of the pool of pledged assets - for the total amount of 8,000,000,000.00 hryvnias. (eight billion hryvnias, 00 kopecks), which is more than 50% of the value of the assets of JSC "BANK ALLIANCE" according to the latest annual financial statements. This decision concerns both the amount for a separate application and the total amount of transactions that can be concluded with the National Bank of Ukraine for refinancing operations (including overnight) within the relevant General Credit Agreement and not repaid by BANK ALLIANCE JSC.

on the establishment of the aggregate maximum limit of investments in certificates of deposit of the National Bank of Ukraine in the total amount of UAH 6,000,000,000.00. (six billion hryvnias 00 kopecks) - at nominal value, without additional consideration of the issue at meetings of collegial bodies of the Bank.

on the establishment of the aggregate maximum limit of investments in domestic state loan bonds in the total amount of UAH 6,000,000,000.00. (six billion hryvnias 00 kopecks) - at nominal value, without additional consideration of the issue at meetings of collegial bodies of the Bank.

on the establishment of the maximum conditional amount under the General Agreement on conducting interest rate swap operations within which operations are carried out without additional consideration of the issue at meetings of the Bank's collegial bodies in the amount of UAH 6,000,000,000.00. (six billion hryvnias 00 kopecks), which is more than 50% of the value of the assets of JSC "BANK ALLIANCE" according to the latest annual financial statements. The conditional amount is the basis of the transaction for each transaction. The total sum of conditional sums of the interest rate swap transaction under all active and unfulfilled agreements with the National Bank of Ukraine cannot exceed the maximum conditional sum of the interest rate swap transaction specified in the contract.

In the reporting period, the Bank did not enter into interested party transactions, which is why no information was provided about parties involved in interested-party transactions.

In the reporting period, the Bank concluded the following significant agreements and the Supervisory Board issued the following resolutions on the preliminary approval of the execution and subsequent approval of significant transactions:

Information on the execution of significant transactions by JSC "BANK ALLIANCE" in 2021

No	Date	Name of the authorised body passing the resolution	Market value of assets or services underlying the transaction (UAH '000)	Value of the issuer's assets under the latest annual financial statements (UAH '000)	Ratio of market value of assets or services underlying the transaction to the value of issuer's assets under the latest annual financial statements (per cent)	Scope	Transaction date
1	2	3	4	5	6	7	8
1	02.02.2021	Supervisory Board	730 000	3 453 459	21,14	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 730 000 thousand with a placement period until 18.01.2021p., and an interest rate of - 5.00 % per annum..	16.01.2021
2	02.02.2021	Supervisory Board	550 000	3 453 459	15,93	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 550 000 thousand with a placement period until 19.01.2021p., and an interest rate of - 5.00 % per annum..	18.01.2021
3	02.02.2021	Supervisory Board	630 000	3 453 459	18,24	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 630 000 thousand with a placement period until 20.01.2021p., and an interest rate of - 5.00 % per annum..	19.01.2021
4	02.02.2021	Supervisory Board	1 040 000	3 453 459	30,11	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1040 000 thousand with a placement period until 21.01.2021p., and an interest rate of - 5.00 % per annum..	20.01.2021
5	02.02.2021	Supervisory Board	500 000	3 453 459	14,48	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 500 000 thousand with a placement period until 22.01.2021p., and an interest rate of - 5.00 % per annum..	21.01.2021

6	02.02.2021	Supervisory Board	1 550 000	3 453 459	44,88	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1550 000 thousand with a placement period until 25.01.2021p., and an interest rate of - 5.00 % per annum..	22.01.2021
7	02.02.2021	Supervisory Board	1 100 000	3 453 459	31,85	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 100 000 thousand with a placement period until 26.01.2021p., and an interest rate of - 5.00 % per annum..	25.01.2021
8	02.02.2021	Supervisory Board	1 430 000	3 453 459	41,41	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 430 000 thousand with a placement period until 27.01.2021p., and an interest rate of - 5.00 % per annum..	26.01.2021
9	02.02.2021	Supervisory Board	400 000	3 453 459	11,58	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 400 000 thousand with a placement period until 28.01.2021p., and an interest rate of - 5.00 % per annum..	27.01.2021
10	02.02.2021	Supervisory Board	740 000	3 453 459	21,43	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 740 000 thousand with a placement period until 29.01.2021p., and an interest rate of - 5.00 % per annum..	28.01.2021
11	02.02.2021	Supervisory Board	1 015 000	3 453 459	29,39	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 015 000 thousand with a placement period until 01.02.2021p., and an interest rate of - 5.00 % per annum..	29.01.2021
12	02.02.2021	Supervisory Board	350 000	3 453 459	10,13	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 350 000 thousand with a placement period until 02.02.2021p., and an interest rate of - 5.00 % per annum..	01.02.2021
13	11.03.2021	Supervisory Board	500 000	3 453 459	14,48	The subject of a significant transaction is the Bank's receipt of a long-term refinancing loan from the National Bank of Ukraine for a maximum aggregate value of UAH 500,000,000.00 (five hundred million hryvnias) with a maturity of 03.06.2026 secured by a pool of assets, including OVDPs. And an interest rate of on a long-term refinancing loan is 6.50%	12.03.2021

14	26.01.2021	Supervisory Board	350 000	3 453 459	10,13	The subject of a significant transaction is the Bank's receipt of a refinancing loan from the National Bank of Ukraine for the total value of UAH 350,000,000.00 due on February 12, 2021, secured by a pool of assets, including OVDP. And an interest rate of on a long-term refinancing loan is 7.0% Decision: to set the maximum possible amount of obligations under the General Credit Agreement with the NBU in the amount of UAH 3,500,000,000.00 for a period of one calendar year from the date of adoption of the decision. (three billion five hundred million hryvnias).	11.02.2021
15	01.04.2021	Supervisory Board	400 000	3 453 459	11,58	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 400 000 thousand with a placement period until 17.03.2021p., and an interest rate of - 5.50 % per annum..	16.03.2021
16	01.04.2021	Supervisory Board	1 000 000	3 453 459	28,96	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 000 000 thousand with a placement period until 18.03.2021p., and an interest rate of - 5.50 % per annum..	17.03.2021
17	01.04.2021	Supervisory Board	1 300 000	3 453 459	37,64	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 300 000 thousand with a placement period until 19.03.2021p., and an interest rate of - 5.50 % per annum..	18.03.2021
18	01.04.2021	Supervisory Board	400 000	3 453 459	11,58	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 400 000 thousand with a placement period until 22.03.2021p., and an interest rate of - 5.50 % per annum..	19.03.2021
19	01.04.2021	Supervisory Board	1 725 000	3 453 459	49,95	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 725 000 thousand with a placement period until 23.03.2021p., and an interest rate of - 5.50 % per annum..	22.03.2021
20	01.04.2021	Supervisory Board	1 300 000	3 453 459	37,64	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 300 000 thousand with a placement period until 24.03.2021p., and an interest rate of - 5.50 % per annum..	23.03.2021

21	01.04.2021	Supervisory Board	1 400 000	3 453 459	40,54	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 400 000 thousand with a placement period until 25.03.2021p., and an interest rate of - 5.50 % per annum..	24.03.2021
22	01.04.2021	Supervisory Board	1 200 000	3 453 459	34,75	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 200 000 thousand with a placement period until 26.03.2021p., and an interest rate of - 5.50 % per annum..	25.03.2021
23	01.04.2021	Supervisory Board	1 300 000	3 453 459	37,64	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 300 000 thousand with a placement period until 29.03.2021p., and an interest rate of - 5.50 % per annum..	26.03.2021
24	01.04.2021	Supervisory Board	1 120 000	3 453 459	32,43	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 120 000 thousand with a placement period until 30.03.2021p., and an interest rate of - 5.50 % per annum..	29.03.2021
25	01.04.2021	Supervisory Board	700 000	3 453 459	20,27	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 700 000 thousand with a placement period until 31.03.2021p., and an interest rate of - 5.50 % per annum..	30.03.2021
26	01.04.2021	Supervisory Board	900 000	3 453 459	26,06	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 900 000 thousand with a placement period until 01.04.2021p., and an interest rate of - 5.50 % per annum..	31.03.2021
27	27.05.2021	Supervisory Board	800 000	3 453 459	23,17	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 800 000 thousand with a placement period until 02.04.2021 p., and an interest rate of - 5.50 % per annum..	01.04.2021
28	27.05.2021	Supervisory Board	750 000	3 453 459	21,72	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 750 000 thousand with a placement period until 05.04.2021 p., and an interest rate of - 5.50 % per annum..	02.04.2021

29	27.05.2021	Supervisory Board	730 000	3 453 459	21,14	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 730 000 thousand with a placement period until 07.04.2021 p., and an interest rate of - 5.50 % per annum..	06.04.2021
30	27.05.2021	Supervisory Board	370 000	3 453 459	10,71	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 370 000 thousand with a placement period until 16.04.2021 p., and an interest rate of - 5.50 % per annum..	15.04.2021
31	27.05.2021	Supervisory Board	380 000	3 453 459	11	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 380 000 thousand with a placement period until 20.04.2021 p., and an interest rate of - 6.50 % per annum..	19.04.2021
32	27.05.2021	Supervisory Board	410 000	3 453 459	11,87	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 410 000 thousand with a placement period until 21.04.2021 p., and an interest rate of - 6.50 % per annum..	20.04.2021
33	27.05.2021	Supervisory Board	450 000	3 453 459	13,03	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 450 000 thousand with a placement period until 22.04.2021 p., and an interest rate of - 6.50 % per annum..	21.04.2021
34	27.05.2021	Supervisory Board	594 000	3 453 459	17,2	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 594 000 thousand with a placement period until 23.04.2021 p., and an interest rate of - 6.50 % per annum..	22.04.2021
35	27.05.2021	Supervisory Board	630 000	3 453 459	18,24	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 630 000 thousand with a placement period until 26.04.2021 p., and an interest rate of - 6.50 % per annum..	23.04.2021
36	27.05.2021	Supervisory Board	400 000	3 453 459	11,58	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 400 000 thousand with a placement period until 29.04.2021 p., and an interest rate of - 6.50 % per annum..	28.04.2021

37	27.05.2021	Supervisory Board	740 000	7 352 039	10,07	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 740 000 thousand with a placement period until 06.05.2021 p., and an interest rate of - 6.50 % per annum..	05.05.2021
38	27.05.2021	Supervisory Board	900 000	7 352 039	12,24	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 900 000 thousand with a placement period until 27.05.2021 p., and an interest rate of - 6.50 % per annum..	26.05.2021
39	27.05.2021	Supervisory Board	1 200 000	7 352 039	16,32	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 200 000 thousand with a placement period until 28.05.2021 p., and an interest rate of - 6.50 % per annum..	27.05.2021
40	09.10.2020	Supervisory Board	935 000	3 453 459	27,07	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 240 000 thousand with a placement period until 06.04.2021 p., and an interest rate of - 5.50 % per annum..	05.04.2021
41	09.10.2020	Supervisory Board	1 240 000	3 453 459	35,91	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 240 000 thousand with a placement period until 28.04.2021 p., and an interest rate of - 6.50 % per annum..	27.04.2021
42	08.07.2021	Supervisory Board	1 300 000	7 352 039	17,68	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 300 000 thousand with a placement period until 31.05.2021 p., and an interest rate of - 6.50 % per annum..	28.05.2021
43	08.07.2021	Supervisory Board	1 000 000	7 352 039	13,6	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - 1 000 000 thousand with a placement period until 01.06.2021 p., and an interest rate of - 6.50 % per annum..	31.05.2021
44	08.07.2021	Supervisory Board	1 180 000	7 352 039	16,05	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 180 000 thousand with a placement period until 02.06.2021 p., and an interest rate of - 6.50 % per annum..	01.06.2021

45	08.07.2021	Supervisory Board	1 000 000	7 352 039	13,6	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 000 000 thousand with a placement period until 03.06.2021 p., and an interest rate of - 6.50 % per annum..	02.06.2021
46	08.07.2021	Supervisory Board	900 000	7 352 039	12,24	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - 900 000 thousand with a placement period until 04.06.2021 p., and an interest rate of - 6.50 % per annum..	03.06.2021
47	08.07.2021	Supervisory Board	1 200 000	7 352 039	16,32	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 200 000 thousand with a placement period until 07.06.2021 p., and an interest rate of - 6.50 % per annum..	04.06.2021
48	08.07.2021	Supervisory Board	910 000	7 352 039	12,38	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - 910 000 thousand with a placement period until 08.06.2021 p., and an interest rate of - 6.50 % per annum..	07.06.2021
49	08.07.2021	Supervisory Board	1 000 000	7 352 039	13,6	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 000 000 thousand with a placement period until 09.06.2021 p., and an interest rate of - 6.50 % per annum..	08.06.2021
50	08.07.2021	Supervisory Board	1 070 000	7 352 039	14,55	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 070 000 thousand with a placement period until 10.06.2021 p., and an interest rate of - 6.50 % per annum..	09.06.2021
51	08.07.2021	Supervisory Board	1 200 000	7 352 039	16,32	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - 1 200 000 thousand with a placement period until 11.06.2021 p., and an interest rate of - 6.50 % per annum..	10.06.2021
52	08.07.2021	Supervisory Board	1 600 000	7 352 039	21,76	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 600 000 thousand with a placement period until 14.06.2021 p., and an interest rate of - 6.50 % per annum..	11.06.2021

53	08.07.2021	Supervisory Board	800 000	7 352 039	10,88	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 800 000 thousand with a placement period until 23.06.2021 p., and an interest rate of - 6.50 % per annum..	22.06.2021
54	08.07.2021	Supervisory Board	875 000	7 352 039	10,9	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 875 000 thousand with a placement period until 30.06.2021 p., and an interest rate of - 6.50 % per annum..	29.06.2021
55	12.08.2021	Supervisory Board	760 000	7 352 039	10,34	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 760 000 thousand with a placement period until 29.07.2021 p., and an interest rate of - 7.0 % per annum..	28.07.2021
56	12.08.2021	Supervisory Board	1 000 000	7 352 039	13,6	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 000 000 thousand with a placement period until 30.07.2021 p., and an interest rate of - 7.0 % per annum..	29.07.2021
57	12.08.2021	Supervisory Board	1 650 000	7 352 039	22,44	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 650 000 thousand with a placement period until 02.08.2021 p., and an interest rate of - 7.0 % per annum..	30.07.2021
58	12.08.2021	Supervisory Board	1 300 000	7 352 039	17,68	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 300 000 thousand with a placement period until 03.08.2021 p., and an interest rate of - 7.0 % per annum..	02.08.2021
59	12.08.2021	Supervisory Board	1 400 000	7 352 039	19,04	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 400 000 thousand with a placement period until 04.08.2021 p., and an interest rate of - 7.0 % per annum..	03.08.2021
60	12.08.2021	Supervisory Board	1 600 000	7 352 039	21,76	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1600 000 thousand with a placement period until 05.08.2021 p., and an interest rate of - 7.0 % per annum..	04.08.2021

61	12.08.2021	Supervisory Board	1 250 000	7 352 039	17	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1250 000 thousand with a placement period until 06.08.2021 p., and an interest rate of - 7.0 % per annum..	05.08.2021
62	12.08.2021	Supervisory Board	900 000	7 352 039	12,24	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 900 000 thousand with a placement period until 09.08.2021 p., and an interest rate of - 7.0 % per annum..	06.08.2021
63	12.08.2021	Supervisory Board	915 000	7 352 039	12,45	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 915 000 thousand with a placement period until 10.08.2021 p., and an interest rate of - 7.0 % per annum..	09.08.2021
64	28.09.2021	Supervisory Board	760 000	7 352 039	10,34	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 760 000 thousand with a placement period until 28.08.2021 p., and an interest rate of - 7.0 % per annum..	27.08.2021
65	28.09.2021	Supervisory Board	930 000	7 352 039	12,65	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 930 000 thousand with a placement period until 30.08.2021 p., and an interest rate of - 7.0 % per annum..	28.08.2021
66	28.09.2021	Supervisory Board	1 300 000	7 352 039	17,68	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 300 000 thousand with a placement period until 01.09.2021 p., and an interest rate of - 7.0 % per annum..	31.08.2021
67	28.09.2021	Supervisory Board	750 000	7 352 039	10,2	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - 750 000 thousand with a placement period until 02.09.2021 p., and an interest rate of - 7.0 % per annum..	01.09.2021
68	28.09.2021	Supervisory Board	800 000	7 352 039	10,88	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 800 000 thousand with a placement period until 03.09.2021 p., and an interest rate of - 7.0 % per annum..	02.09.2021

69	28.09.2021	Supervisory Board	880 000	7 352 039	11,97	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 880 000 thousand with a placement period until 06.09.2021 p., and an interest rate of - 7.0 % per annum..	03.09.2021
70	28.09.2021	Supervisory Board	950 000	7 352 039	12,92	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 950 000 thousand with a placement period until 07.09.2021 p., and an interest rate of - 7.0 % per annum..	06.09.2021
71	28.09.2021	Supervisory Board	1 000 000	7 352 039	13,6	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 000 000 thousand with a placement period until 09.09.2021 p., and an interest rate of - 7.0 % per annum..	08.09.2021
72	28.09.2021	Supervisory Board	995 000	7 352 039	13,53	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 995 000 thousand with a placement period until 10.09.2021 p., and an interest rate of - 7.0 % per annum..	09.09.2021
73	28.09.2021	Supervisory Board	950 000	7 352 039	12,92	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 950 000 thousand with a placement period until 13.09.2021 p., and an interest rate of - 7.5 % per annum..	10.09.2021
74	16.11.2021	Supervisory Board	1 600 000	7 352 039	21,76	Предмет значного правочину - відкриття відновлювальної кредитної лінії (під заставу депозитних коштів); the value of the item underlying the significant transaction is - 1 600 млн. грн., кінцевий строк повернення заборгованості - 15.12.2021 р.	16.11.2021
75	02.12.2021	Supervisory Board	1 080 000	7 352 039	14,69	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 080 000 thousand with a placement period until 26.11.2021 p., and an interest rate of - 7.50 % per annum..	25.11.2021
76	02.12.2021	Supervisory Board	1 485 000	7 352 039	20,2	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 485 000 thousand with a placement period until 30.11.2021 p., and an interest rate of - 7.50 % per annum..	29.11.2021

77	02.12.2021	Supervisory Board	1 290 000	7 352 039	17,55	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 290 000 thousand with a placement period until 01.12.2021 p., and an interest rate of - 7.50 % per annum..	30.11.2021
78	02.12.2021	Supervisory Board	1 280 000	7 352 039	17,41	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 280 000 thousand with a placement period until 02.12.2021 p., and an interest rate of - 7.50 % per annum..	01.12.2021
79	26.11.2021	Supervisory Board	2 000 000	7 352 039	27,2	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 2 000 000 thousand with a placement period until 03.12.2021 p., and an interest rate of - 7.50 % per annum..	02.12.2021
80	26.11.2021	Supervisory Board	2 000 000	7 352 039	27,2	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 2 000 000 thousand with a placement period until 07.12.2021 p., and an interest rate of - 7.50 % per annum..	06.12.2021
81	26.11.2021	Supervisory Board	2 150 000	7 352 039	29,24	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 2 150 000 thousand with a placement period until 06.12.2021 p., and an interest rate of - 7.50 % per annum..	03.12.2021
82	26.11.2021	Supervisory Board	2 180 000	7 352 039	29,65	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 2 180 000 thousand with a placement period until 22.12.2021 p., and an interest rate of - 8.00 % per annum..	21.12.2021
83	26.01.2022	Supervisory Board	1 000 000	7 352 039	13,6	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 000 000 thousand with a placement period until 08.12.2021 p., and an interest rate of - 7.50 % per annum..	07.12.2021
84	26.01.2022	Supervisory Board	1 700 000	7 352 039	23,12	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 700 000 thousand with a placement period until 09.12.2021 p., and an interest rate of - 7.50 % per annum..	08.12.2021

85	26.01.2022	Supervisory Board	850 000	7 352 039	11,56	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 850 000 thousand with a placement period until 13.12.2021 p., and an interest rate of - 8.0 % per annum..	10.12.2021
86	26.01.2022	Supervisory Board	1 200 000	7 352 039	16,32	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 200 000 thousand with a placement period until 14.12.2021 p., and an interest rate of - 8.0 % per annum..	13.12.2021
87	26.01.2022	Supervisory Board	760 000	7 352 039	10,34	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 760 000 thousand with a placement period until 15.12.2021 p., and an interest rate of - 8.0 % per annum..	14.12.2021
88	15.12.2021	Supervisory Board	1 000 000	7 352 039	13,6	The subject of a significant transaction is the opening of a revolving credit line (secured by deposit funds); the value of the item underlying the significant transaction is - 1,000 million hryvnias, the deadline for debt repayment - 14.12.2023	15.12.2021
89	26.01.2022	Supervisory Board	1 400 000	7 352 039	19,04	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 400 000 thousand with a placement period until 20.12.2021 p., and an interest rate of - 8.0 % per annum..	17.12.2021
90	26.01.2022	Supervisory Board	1 765 000	7 352 039	24,01	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 765 000 thousand with a placement period until 21.12.2021 p., and an interest rate of - 8.0 % per annum..	20.12.2021
91	26.01.2022	Supervisory Board	1 400 000	7 352 039	19,04	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 400 000 thousand with a placement period until 24.12.2021 p., and an interest rate of - 8.0 % per annum..	23.12.2021
92	26.01.2022	Supervisory Board	1 600 000	7 352 039	21,76	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 600 000 thousand with a placement period until 28.12.2021 p., and an interest rate of - 8.0 % per annum..	24.12.2021

93	26.01.2022	Supervisory Board	1 170 000	7 352 039	15,91	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 170 000 thousand with a placement period until 31.12.2021 p., and an interest rate of - 8.0 % per annum..	30.12.2021
94	26.01.2022	Supervisory Board	1 630 000	7 352 039	22,17	The Bank's purchase of deposit certificates of the National Bank of Ukraine; the value of the item underlying the significant transaction is - UAH 1 630 000 thousand with a placement period until 04.01.2022 p., and an interest rate of - 8.0 % per annum..	31.12.2021

Authorised for issue and signed by

24 June 2022

Chairperson of the Management Board
JSC BANK ALLIANCE
Yu.M. Frolova



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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

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 2021;
- Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results) for the year ended 31 December 2021;
- Statement of Changes in Equity (Statement of Equity) for the year ended 31 December 2021;
- Statement of Cash Flows for the year ended 31 December 2021 (direct method);
- Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, 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".

Basis for opinion

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 adopted by the International Ethics Standards Board for Accountants ("IESBA") the *Code of Ethics for Professional Accountants* (including International Independence Standards) ("*IESBA Code*") and ethical requirements applicable 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 opinion.

Material uncertainty related to going concern

We draw attention to Note 3 and Note 39 to the financial statements, which deal 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 condition and results of the Bank's activities. As noted in Note 3, these events or conditions, together with the other issues set out in Note 39, 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 regarding business continuity” 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
<p><i>Provision for impairment losses on loans and advances to customers and other banks, balances on correspondent accounts in other banks – UAH 456 070 thousand.</i></p> <p><i>Refer to Notes 6, 7, 8, 4.7</i></p> <p>We have focused our attention on this matter as a key audit matter due to the materiality of the balances on items “Loans and advances to customers”, “Loans and advances to banks” and the subjective nature of judgements used in calculating the impairment.</p> <p>Provision for impairment losses reflect the management's estimate of expected losses based on the portfolios of loans and advances to customers at the reporting date.</p> <p>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.</p> <p>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.</p> <p>The use of different models and assumptions can lead to different outcomes in provisioning for impairment losses on loans and advances to customers.</p>	<p>Our procedures included, among others, the following:</p> <ul style="list-style-type: none"> - Familiarising with the internal controls system implemented by the management personnel with a focus on the calculation of impairment provisions for loans and advances to 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. <p>We identified no material mismatches as a result of these tests.</p>

Other information

Management is responsible for the other information. Other information comprises the information included in the management report for 2021, which includes the corporate governance report 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 2021, which also includes the corporate governance Report 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 2021 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. We have nothing to report in this regard.

When we read the annual information of the securities issuer for 2021, 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 internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial 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 24 September 2020 (minutes #62) to conduct a statutory audit of the Bank's financial statements for the year ended 31 December 2021. The period of total uninterrupted statutory audit of the Bank's financial statements, including the previous renewals and reappointments, is 6 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.

We have provided to the Bank or its controlled entities the following services, other than statutory audit services, that were not disclosed in the financial statements or in the Management Report:

- assessment of the quality of the Bank's assets and collateral adequacy on loans as at 1 January 2021 within the requirements of the Terms of Reference to assess the resilience of Ukrainian banks and banking system approved by Resolution of the Management Board of the National Bank of Ukraine No. 105-PLU dated 7 February 2020.

Consistency with the additional report for the audit committee

We confirm that our audit opinion on the financial statements set out in this report is consistent with the additional report to the audit committee or its equivalent.

Guidance on the *Explanations of the audit effectiveness in identifying violations, in particular, those related to fraud*

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 with the highest authority 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 during the audit of work 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 JSC BANK ALLIANCE for 2021, which includes the corporate governance report as a separate section, is prepared in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", "Guidance on the Procedure for the Preparation and Publication of Financial Statements in Ukrainian Banks" approved by Resolution of the NBU No.373 dated 24 October 2011 and other applicable laws and regulations, and the information presented there is consistent with the financial statements;

- we identified no material misstatements in the management 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 .2018 №90

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 parties related to the bank and descriptions of transactions with them;
- 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 2021 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 2021. 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 nature (as mentioned above) 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 identified a 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 2022.

Namely, during the selective inspection of individual elements in the file with indicators of statistical report A7X "Information about the structure of assets and liabilities by periods", the following deviations were identified:

According to the results of sample testing of loans and advances to customers (the sample of auditors amounted to UAH 2,711,193 thousand, which covers 69% of the total amount under the item "Loans and advances to customers") revealed inaccurate classification in the amount of UAH 20,000 thousand, which was included by the Bank to the period "From 93 to 183 days", while under the terms of the loan agreement this amount should be included in the period "From 32 to 92 days".

According to comments of the Bank's management provided during the audit, the Bank's software (ODB) is being adjusted by the developer.

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 2021.

Identification of parties related 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 2021 is adequate and accounts for UAH 457,280 thousand.

The Bank's regulatory capital as at 31 December 2021 is UAH 973,050 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 and, 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 2021 the Bank did not have a parent company or subsidiaries, nor was it 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.
- We performed an audit of the financial statements of JOINT STOCK COMPANY BANK ALLIANCE in accordance with the agreement №120/20 dated 20 October 2020. The start date of the audit is 22 November 2021, the end date is 24 June 2022.

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 2021 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 2021 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".

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

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. 100799.

Gagik Nersesian



24 June 2022

Kyiv, Ukraine

Main information about the audit firm

Full name: Limited Liability Company "BAKER TILLY UKRAINE".

Location: office 9, 3 Hrekova St., 04112, Kyiv

Actual address: 28 Fizkultury St., 03150, Kyiv

Registration number in the Register of Auditors and Auditing Entities: No. 2091.

**JOINT-STOCK COMPANY
BANK ALLIANCE**

**Annual Financial Statements
for 2021**

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Statement of financial position (balance sheet)
JSC BANK ALLIANCE
as at 31 December 2021

<i>In thousands of UAH</i>	Note	31.12.2021	31.12.2020
ASSETS			
Cash and cash equivalents	6	1 161 292	570 001
Loans and advances to banks	7	17 382	68 565
Loans and advances to customers	8	3 906 928	3 008 781
Investments in securities	9	6 163 445	3 529 340
Current income tax receivable		5	313
Deferred tax asset	29	5 208	3 304
Property, plant and equipment and intangible assets	10	68 239	37 820
Right-of-use assets	11	63 437	25 638
Non-current assets held for sale and disposal groups	12	67 539	67 539
Other financial assets	13	13 234	24 869
Other non-financial assets	13	16 543	15 869
Total assets		11 483 252	7 352 039
LIABILITIES			
Due to banks	14	2 100 058	1 056 593
Due to customers	15	7 697 311	5 181 466
Derivative financial liabilities	16	333	1 794
Current income tax liabilities		38 862	9 110
Provisions for liabilities	17	25 888	18 356
Lease liabilities	18	66 224	27 036
Subordinated debt	19	272 317	113 583
Other borrowings	20	283 964	41 710
Other financial liabilities	21	64 805	305 020
Other non-financial liabilities	21	20 388	15 328
Total liabilities		10 570 150	6 769 996
EQUITY			
Authorised capital	22	457 280	365 120
Unregistered authorised capital	22	-	92 160
Reserves and other funds of the Bank	22	44 530	40 307
Retained earnings (uncovered losses)		411 292	84 456
Total equity		913 102	582 043
Total liabilities and equity		11 483 252	7 352 039

Authorised for issue and signed by

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

Chairperson of the Management Board Julia FROLOVA

Acting Chief accountant Victoria REGUREFSKA



**Statement of profit or loss and other comprehensive income
(profit and loss statement) of
JSC BANK ALLIANCE
for the year ended 31 December 2021**

<i>In thousands of UAH</i>	Note	2021	2020
Interest income	24	728 633	481 526
Interest expenses	24	(563 671)	(293 435)
Net interest income/(Net interest expenses)		164 962	188 091
Commission income	25	542 118	328 154
Commission expenses	25	(43 511)	(24 378)
Net profit/(loss) from transactions with financial instruments at FVTPL	28	(108 689)	(106 850)
Net profit/(loss) from foreign currency transactions		558 163	211 064
Net gain/(loss) from foreign currency translation		(30 267)	(8 453)
Net loss from financial assets impairment		(276 973)	(157 469)
Net loss/(profit) from increase/(decrease) in liability reserves	17	(7 532)	(11 677)
Net gain/(loss) on derecognition of financial assets at AC		(11 023)	61
Other operating income	26	20 744	26 353
Employee benefits expenses		(199 389)	(154 502)
Depreciation and amortisation		(54 840)	(29 221)
Other administrative and operating expenses	27	(149 779)	(157 491)
Profit/(loss) before tax		403 984	103 682
Income tax expenses	29	(72 925)	(19 226)
Profit/(loss) from continuing operations		331 059	84 456
Profit/(loss)		331 059	84 456
OTHER COMPREHENSIVE INCOME:			
ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS			
Total comprehensive income		331 059	84 456
Profit (loss) attributable to owners of the Bank		331 059	84 456
Total comprehensive income attributable to owners of the Bank		331 059	84 456
Earnings/(losses) per share from continuing operations (UAH):	30	20.69	5.28
Earnings/(losses) per share attributable to owners of the Bank (UAH):		20.69	5.28

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Acting Chief accountant Victoria REGURETSKA



**Statement of changes in equity
(statement of equity)
JSC BANK ALLIANCE
for the year ended 31 December 2021**

<i>In thousands of UAH</i>	Attributable to owners of the Bank						Total equity
	Authorised capital	share premium and other additional capital	unregistered authorised capital	reserves and other funds	retained earnings	total	
Balance as at 31 December 2019	365 120	-	-	35 404	97 063	497 587	497 587
Total comprehensive income:	-	-	-	-	84 456	84 456	84 456
Allocation of retained earnings to reserves and other funds	-	-	-	4 903	(4 903)	-	-
Allocation of retained earnings to authorised capital	-	-	-	-	(92 160)	(92 160)	(92 160)
Unregistered authorised capital	-	-	92 160	-	-	92 160	92 160
Balance as at 31 December 2020	365 120	-	92 160	40 307	84 456	582 043	582 043
Total comprehensive income:	-	-	-	-	331 059	331 059	331 059
Allocation of retained earnings to reserves and other funds	-	-	-	4 223	(4 223)	-	-
Allocation of retained earnings to authorised capital	-	-	-	-	-	-	-
Unregistered authorised capital	92 160	-	(92 160)	-	-	-	-
Balance as at 31 December 2021	457 280	-	-	44 530	411 292	913 102	913 102

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Executor
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Chairperson of the Management Board Julia FROLOVA

Acting Chief accountant Victoria REGURETSKA



Statement of cash flows
JSC BANK ALLIANCE
for the year ended 31 December 2021

(direct method)

<i>In thousands of UAH</i>	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received	24	711 678	435 062
Interest expenses paid	24	(542 854)	(262 920)
Fee and commission income received	25	554 242	308 544
Fee and commission expenses paid	25	(44 870)	(21 124)
Results of transactions with financial derivatives	28	(513 486)	(106 850)
Results of foreign currency transactions		558 163	211 064
Other operating income received	26	20 744	26 353
Personnel expenses paid		(195 208)	(143 679)
Administrative and other operating expenses paid	27	(149 779)	(186 712)
Income tax paid		(44 768)	(22 839)
Cash profit/(loss) from operating activities before changes in operating assets and liabilities		353 862	236 899
<i>Changes in operating assets and liabilities</i>			
Net (increase)/decrease in trade securities	9	(1 569 083)	(2 103 258)
Net (increase)/decrease in derivative financial assets	16	(1 461)	1 852
Net (increase)/decrease in cash in other banks	7	52 869	(70 821)
Net (increase)/decrease in loans and advances to customers	8	(1 149 391)	(803 426)
Net (increase)/decrease in other assets	13	(15 345)	153 243
Net increase/(decrease) in amounts due to banks	14	1 043 505	1 056 552
Net increase/(decrease) in amounts due to customers	15	2 496 181	1 867 406
Net increase/(decrease) in other liabilities	21	(237 810)	274 214
Net cash flows from/(used in) operating activities		973 327	612 661
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities	9	(123 179 000)	(51 627 000)
Repayment of securities	9	122 519 000	51 082 000
Purchase of property, plant and equipment	10	(47 438)	(7 095)
Purchase of intangible assets	10	(4 504)	(6 377)
Net cash flows from/(used in) investing activities		(711 942)	(558 472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		-	92 160
Receipt of other borrowings	19,20	415 871	154 755
Lease payments		(30 097)	(15 324)
Net cash flows from/(used in) financing activities		385 774	231 591
Effect of the NBU exchange rate fluctuations on cash and cash equivalents		(48 341)	(24 235)
Impact of expected credit losses on cash and cash equivalents		(7 527)	1 012
Net increase/(decrease) in cash and cash equivalents		591 291	262 557
Cash and cash equivalents at the beginning of the period	6	570 001	307 444
Cash and cash equivalents at the end of the period	6	1 161 292	570 001

Authorised for issue and signed by

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

Chairperson of the Management Board

Acting Chief accountant

Victoria



Note 1. Information about the Bank

JSC ALLIANCE BANK was established by decision of the Constituent Meeting of Founders (Minutes No. 1 dated 9 March 1992) and registered with the National Bank of Ukraine on 10 March 1992 under no. 89.

According to decision of the General Meetings of Shareholders (Minutes No. 1/2018 dated 17 April 2018), Public Joint Stock Company BANK ALLIANCE changed the incorporation of JSC BANK ALLIANCE from public joint stock company to private joint stock company and the name was accordingly changed to Joint Stock Company BANK ALLIANCE.

Corporate 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 incorporation: Ukraine

Location: 50 Sichovykh Striltsiv Street, Kyiv, 04053, Ukraine

Form of incorporation: Private Joint Stock Company.

JSC BANK ALLIANCE conducts operations in accordance with 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 Securities and Stock Market”, the Civil Code of Ukraine, the Commercial Code of Ukraine, other laws of Ukraine and on the basis of regulations of the National Bank of Ukraine and the National Securities and Stock Market Commission, other applicable laws and regulations of Ukraine.

The Bank is a universal financial institution.

The Bank carries out its activities within the territory of Kyiv city, Zaporizhzhya Region, Lviv Region, Dnipropetrovsk Region, Kharkiv Region, Odesa Region, Chernivtsi Region, Mykolaiv Region, Poltava Region, Chernihiv Region, Cherkasy Region, Zhytomyr Region, Vinnytsia Region, Sumy Region, Zakarpattia Region and Kirovohrad Region. As at 31 December 2021, the Bank had 30 branches operating in total. The Bank has no branches and representative offices.

The Bank has no status of a specialised bank.

The Bank has a perpetual Banking Licence No. 97 dated 17 November 2011 issued by the National Bank of Ukraine for the right to provide banking services defined in paragraph three of Article 47 of the Law of Ukraine “On Banks and Banking Activities”.

According to the applicable law, the Bank carries out professional activity on the stock market (securities market):

- trade of securities - brokerage and sub-brokerage activities, Licence to Conduct Professional Activity on the Securities Market (brokerage activity) series AE no. 294590 issued by decision of the NSSMC no. 1582 dated 25 November 2014 and effective from 1 December 2014 for an indefinite period; according to decision No.420 of NATIONAL

SECURITIES AND STOCK MARKET COMMISSION dated 23 June 2021, from 01 July 2021 sub-brokerage activity became possible

- trade of securities - dealer activity, corresponding license issued by decision No. 387 of the NATIONAL SECURITIES AND STOCK MARKET COMMISSION dated 23 July 2019 and effective from 24 July 2019;
- depository activity of a depository institution, corresponding license issued by decision No.387 of the NATIONAL SECURITIES AND STOCK MARKET COMMISSION dated 23 July 2019.

All the above-mentioned licenses of the NATIONAL SECURITIES AND STOCK MARKET COMMISSION are valid and indefinite.

JSC BANK ALLIANCE is a member of the Deposit Insurance Fund (certificate no. 023 dated 18 October 2012, registered under no. 025 dated 2 September 1999).

As at 31 December 2021, the Bank is a member of the following associations and organisations:

- Independent Association of Banks of Ukraine (IABU);
- European Business Association (EBA).
- International payment system MasterCard;
- International payment system VISA;
- National payment system PROSTIR;
- Ukrainian Interbank Payment Systems Member Association "EMA";
- PFTS Stock Exchange;
- Perspektyva Stock Exchange;
- Professional Association of Capital Markets and Derivatives (PACMD);
- Ukrainian Stock Traders (UST);
- the bank signed the License Agreement on participation in the Union Pay International payment system.

The purpose of the Bank is to meet the public needs for banking and other financial services (except for insurance services), other banking activities as defined by the applicable legislation of Ukraine; attraction, accumulation, propulsion and redistribution of monetary flow, as well as profit-earning based on results of banking activities.

Based on the chosen Strategy, the Vision, Mission and Purpose of the Bank is as follows:

VISION: BANK ALLIANCE is a reliable and universal bank that has earned trust of the people and builds lasting partnerships, providing customers with modern, personalised solutions.

MISSION: to create an enabling environment for the development of the Ukrainian economy and sustainable growth of GDP, whilst maintaining an optimal balance between the interests of customers, shareholders and the Bank.

We give people confidence and reliability, we make their lives better by helping them implement their aspirations and dreams. Our mission defines the meaning and content of activities of JSC BANK ALLIANCE and underscores its important role in the national economy and society – maintaining confidence, reliability and stability. Our customers, their needs, dreams and aspirations are the foundation of our business as an organisation. At the same time, the Bank's goals cannot be implemented without the personal and professional goals of the people who work here.

PURPOSE: to be a reliable financial partner focused on the interests of customers and to hold strong positions in the target customer segments, to ensure returns for the Bank.

As part of this mission, the Bank has developed a risk management strategy through an accounting equation between levels of revenue and risk assumed by the Bank. This principle allows to preserve financial stability in terms of the negative effect of external and internal factors.

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

In order to achieve strategic goals, the Bank is constantly improving its business model, adapting it to changes in the macroeconomic environment in which the Bank operates and to the demands of its customers, which are growing year by year.

The target group of the Bank comprises corporate customers of the SME and microbusiness segments. The Bank directs its efforts at forming long-term partnerships with customers, improving their financial well-being and enhancing banking services.

The main activities of the Bank are:

- loan and deposit operations;
- purchase and sale of currency;
- cash and settlement services;
- trading in securities;
- consultancy and information services, including transactions in the stock and currency markets.

The Bank actively utilises the instruments of the interbank market for the efficient placement (involvement) of temporarily free funds, as well as for the purposes of foreign exchange transactions.

The General Meeting of Shareholders is the supreme governing body of the Bank.

The Supervisory Board is the Bank's governing body that protects the rights of depositors, other creditors and shareholders of the Bank and, within its competence as defined by the Charter and Ukrainian law, controls and regulates the activities of the Management Board.

The Management Board is a standing collegiate executive body in charge of the management of the Bank's day-to-day operations within the scope of its competence defined by the applicable law of Ukraine, the Charter and the Regulation on the Management Board, and is responsible for efficient operation of the Bank's business in conformity with the principles, policies and procedures established by the Charter, decisions of the General Meeting of Shareholders and the Supervisory Board of the Bank.

As at 31 December 2021 was in effect the Charter of JOINT STOCK COMPANY BANK ALLIANCE approved by General Shareholders Meeting of JOINT STOCK COMPANY BANK ALLIANCE (minute No.1/2021 dated 26 January 2021) and registered by the State Registrar from 18 March 2021. Certificate of state registration of the issue of shares with a nominal value of UAH 28.58 each was issued to the Bank by the National Securities and Stock Market Commission on 7 May 2020 (No.27/1/2021).

The new version of Charter of JOINT STOCK COMPANY BANK ALLIANCE was approved by the Extraordinary General Meeting of Shareholders of JOINT STOCK COMPANY BANK ALLIANCE (minute No. 3/2021 dated 26 November 2021).

Mr. Alexander Sosis, citizen of Ukraine, owns a majority interest in the Bank representing 89.289006% of the authorised capital of the Bank.

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

At the meeting of the Rating Committee On 12 January 2022, the National Rating Agency "Rurik" confirmed the long-term credit rating of JSC BANK ALLIANCE at uaAAA investment category with a stable outlook. The Bank's rating is based on the National Rating Scale.

On 27 May 2022, the Standard & Poor's rating agency lowered the Bank's credit rating to the "CCC/C" level. The agency notes that the Russian-Ukrainian conflict, which began three months ago, is causing serious consequences for Ukraine's economy and the banking sector. In addition, economic and industry risks have increased, which is due to a significant decrease in the level of economic activity - this will definitely lead to an expected increase in problem loans in the banking system.

The rating forecast is "in development", which reflects the uncertainty regarding the duration of the war and its consequences for both the banking system of Ukraine and the Bank, in particular.

It should be noted that on 27 May 2022, the Agency lowered the rating of Ukraine in foreign currency (to "CCC+/C"). Standard & Poor's expects the Russian-Ukrainian military conflict to be protracted, and the ability of the Ukrainian government to repay its foreign currency borrowing payments will depend heavily on the flow of donor support.

The financial statements of the Bank for 2021 (main reports to the annual financial statements) were authorised for issue by decision of the Management Board of JSC BANK ALLIANCE (Minutes No. 60 dated 24 June 2022).

Note 2. Economic environment in which the Bank operates

During 2021, the growth of the global economy restrained the spread of new waves of the virus that the world faced in 2020, and which caused a large-scale outbreak of respiratory diseases with severe complications and high mortality - COVID-19. Quarantine restrictions introduced by the vast majority of countries in the world led to a sharp drop in world production (minus 3.3% for 2020). The global recovery of the world economy, which was noticeable during the first three quarters of 2021, slowed significantly at the end of the year due to the spread of a new strain of the "omicron" disease. The spread of the disease leads to the introduction of quarantine restrictions for the population. A decrease in social mobility, primarily in medium and small businesses, which is especially important for the economies of the European Union and the United States, which are the epicenters of the new wave of the disease. During 2020, unprecedented economic stimulus was introduced in many countries, which led to the deepening of risks associated with the growth of indebtedness around the world and caused the growth of inflation in the world's leading economies (USA - 6.8%, EU - 5%, Britain - 5.1%). In addition, energy prices increased at an alarming rate during the year: gas prices in Europe increased fivefold, oil prices increased by 60% during the year, despite the increase in production in OPEC. Therefore, central banks, reacting to high inflation, strengthen monetary and credit policy and stop economic stimulus measures. The risks of a negative development of the situation include the possibility of new waves of the spread of the virus, delays in vaccination, a more serious impact of the pandemic on the potential growth of the economy and tensions in the financial sphere. The priority tasks for the near future are to contain the spread of the

virus, provide assistance to vulnerable categories of the population and solve problems related to vaccines.

In 2020, the economy of Ukraine shrank by 4.4%, according to the results of 2021, according to the NBU, real GDP growth in 2021 will be about 3%. The recovery of the economy was facilitated by stable consumer demand, increased investment after the crisis, as well as a record harvest of agricultural crops. At the same time, economic recovery was slower than expected. Among the reasons are the rapid increase in the price of energy carriers and their shortage, the impact of low harvests in 2020, slower recovery of the service sector, limited capacities of certain production sectors, more significant losses from the pandemic, as well as faster fiscal consolidation. The real GDP growth forecast for 2022 has been revised from 3.8 to 3.4%. Reasons that negatively affect the pace of recovery (growth) of the economy include:

- the need to implement quarantine measures to reduce the incidence of COVID-19, which will postpone the implementation of structural economic reforms in Ukraine;
- state regulation of business activity, significant dependence of the private sector on the expenditure part of the state budget and state-owned enterprises;
- control over the distribution of funds from international organizations, control over receipts from foreign investors, low efficiency of tax administration, low level of the judiciary significantly influence the decision-making of potential subjects of investment in the development of the economy of Ukraine;
- an increase in world energy prices, which can lead not only to a high level of inflation, but also to low yields of agricultural products due to shortages and a significant increase in the price of fertilizers.

After a soft monetary policy in 2020 to support the economy, the National Bank of Ukraine increased the discount rate from 6 to 9 percent in 2021 in order to mitigate additional inflationary risks and improve inflation expectations. The medium-term goal of the NBU is to maintain inflation in the range of $5 \pm 1\%$. The actual level of inflation in Ukraine was 5% in 2020 and increased significantly in 2021 to 10%. The future trajectory of the discount rate will be determined by the balance of inflationary risks. The National Bank of Ukraine may raise the interest rate if inflation accelerates due to the recovery of the world and Ukrainian economy. In the event of an intensification of the pandemic and weaker inflationary pressure, it will be possible to provide additional impetus to the economy by lowering the rate. Gradually responding to the NBU's previous decisions on strengthening monetary policy, banks increased rates on hryvnia deposits. Loan rates did not have a clear trajectory. Banks continue to actively increase their loan and deposit portfolios.

In 2022-2023, Ukraine will have to pay more than 28.5 billion US dollars for state and state-guaranteed debt in foreign currency, which is almost equal to the level of accumulated international reserves (30.9 billion US dollars as of 01.01.2022). At the end of 2021, a number of risks were realized for the Ukrainian economy and financial system: the escalation of the conflict with Russia, a sharp increase in energy prices, the spread of a new strain of the coronavirus. Collectively, these factors worsened expectations of economic development and led to an increase in the risk premium for investing in Ukraine. Therefore, the conditions for attracting financing for the public and private sectors in foreign markets have deteriorated. Given this, cooperation with international financial organizations remains a prerequisite for proper management of macroeconomic risks. At the same time, the economy has a sufficient margin of strength to withstand the mentioned threats. Fiscal policy remained restrained, and the state budget deficit was moderate, the public debt relative to

GDP is decreasing, international reserves are sufficient to smooth out possible fluctuations in the currency market. The financial system is in excellent shape: stable, well capitalized and liquid.

The 2022 budget was adopted with a deficit of about 3.5% of GDP (5.5% planned deficit of GDP in 2021). The government's ability to finance it directly will depend on access to loans in foreign markets and loans IFI. Therefore, the risks of growth of state-guaranteed debt are high and may lead to significant costs in the following budget periods. The reduction of the budget deficit is planned to be achieved by curtailing the stimulating fiscal policy to support the economy, which may harm the post-crisis recovery of the economy and create risks of a narrowing of the tax base. The government should focus on targeted and relatively small-scale population and business support programs - provision of compensation for SMEs, portfolio guarantees, affordable loans under the 5-7-9 program.

Due to the pandemic, the commercial real estate market in Ukraine has suffered a significant blow. The majority of tenants have implemented the practice of remote work for their employees and this format will continue indefinitely, which led to a significant decrease in the demand for office space in 2020 and in 2021 the demand resumed rather slowly. But the trading real estate market managed to hold its own in 2020 and during 2021 it grew noticeably. This was facilitated by the growth of incomes and the flexibility of quarantine restrictions. The housing market is heating up: prices are rising under the pressure of higher cost, demand growth and mortgage lending volumes. But the rate of increase in the price of residential real estate is not threatening. However, there remain risks of a decrease in the supply of new housing due to the long-term reform of the control system in the sector. Mortgage volumes are growing rapidly from a low base, but the pace could be higher in the absence of restrictions. The unregulated market of new buildings and the low level of protection of creditors' rights stand in the way. The upward trend in demand is due, among other things, to the increase in housing affordability, which has more than doubled over the decade. In 2020, the growth rates of nominal household incomes and housing prices were almost identical. In the autumn of 2021, the price of real estate in new buildings in hryvnia grew by 10–15% y/y. Housing prices on the secondary market are growing on average several percentage points faster. In the market of new buildings, the key factor in price growth is the cost of construction. The main driver of prices in the secondary real estate market today is demand and the expectation of its revival due to the growth of household incomes. An additional engine of this segment is mortgage lending. Access to credit certainly fuels purchasing activity. The demand for real estate, to some extent, is explained by a noticeable decrease in deposit rates, which is an alternative direction for investing in housing. We should expect continued demand and price increases, including due to the gradual recovery of mortgages. The bank plans to increase the volume of mortgages. The key risks of the sector are the delay in regulating the primary real estate market, the strengthening of the rights of investors in housing, and the slow reform of the control system in construction.

Thanks to the recovery of the economy, the state of the labor market has improved: both domestic and foreign demand for labor has increased, employment has increased, and unemployment has decreased. The growth of wages in Ukraine and remittances from labor migrants provided the largest contribution to the increase in household incomes and supported consumer demand. Additional support was provided by social benefits. In the forecast horizon, stable economic growth and less pressure from potential quarantines will stimulate wage growth and return unemployment to its natural level, however, according to NBU forecasts, the growth rate of nominal wages will decrease (from 19% in 2021 to 9–13% in 2022 -2023 years) along with slowing inflation.

As a result, real wages will grow by 4-6% per year, which will correspond to increased productivity in the economy.

During the acute phase of the crisis, the population's demand for loans decreased, but with the easing of the quarantine, favorable price conditions, high domestic demand and a general decrease in interest rates created a significant business demand for loans. The volume of hryvnia corporate credit portfolio of banks is growing by more than 40% annually. The volume of lending to micro, small and medium-sized businesses grew the fastest. This sector is interesting for banks primarily because of the low level of credit and the possibility of forming a diversified portfolio. New loans are granted to borrowers with good financial performance. Retail lending is also extremely active: pre-crisis growth rates of consumer lending have resumed, while mortgage lending is growing by almost 60% year-on-year. In consumer lending, the leadership of those financial institutions that offer the best services and IT solutions.

Funding of banks is sufficient for further lending. Despite the fact that the share of funds in current accounts is high, these resources are quite stable. The volume of bank deposits is growing at a rate of about 10% per year. The share of hryvnia investments of the population in current accounts reached record levels in 2021. Only in the second half of the year, unusually high rates of growth of funds on demand slowed down. Shortening the duration of funding does not prevent active short-term lending by banks. However, in order to provide long-term loans and create a stable client base, it is appropriate for financial institutions to attract term funds. Hryvnia term deposits of the population are growing mainly in banks that offer higher rates. So now banks are gradually increasing the cost of term deposits. The increase of the NBU's discount rate is also encouraging this. Due to the growth of the NBU discount rate and higher competition for longer-term resources, banks will be forced to raise interest rates on term funds in the future. The premium for term deposits of the population is growing, however, the total cost of bank funding remains low given the significant share of free resources attracted to clients' current accounts. Lending rates mostly decreased during the year, primarily for loans to small, medium and micro businesses and for mortgage loans. Therefore, the net interest margin of banks decreased moderately. According to the NBU forecast, this trend should be maintained. Instead, the growth of the loan portfolio contributed to the growth of net interest income, and the significant volume of transactional business contributed to the increase of net commission income. Together with low provisioning costs and low administrative costs, this ensured record profitability for the country's banking sector.

The banking sector's current profitability and substantial capital buffers enable financial institutions to meet a number of recently implemented new capital requirements. In particular, it is about covering 50% of the estimated amount of operational risk with capital, increasing the risk weights for unsecured consumer loans and government securities in foreign currency. Compliance with minimum capital requirements is not enough to ensure the stability of the banking system. According to the Basel standards, banks must constantly maintain a capital conservation buffer and a systemic importance buffer. In Ukraine, these buffers were deactivated in 2020, with the beginning of the crisis. Taking into account the record profitability of the banking sector, there are all prerequisites for activating these buffers. At the same time, in order not to reduce credit activity, they will be implemented in stages: from January 1, 2023, banks must meet the requirements for the systemic risk buffer and half of the capital conservation buffer, and the capital conservation buffer will need to be fully formed by January 1, 2024.

The COVID-19 pandemic has created challenges that the banking system of Ukraine has not faced before. For the first time, all the main risks were implemented simultaneously: credit, market

and operational. However, financial institutions quickly adapted to the new working conditions and continued to lend to the economy, in particular, to take an active part in the implementation of state programs to support small businesses and provide the economy with the necessary financial resources. Macroeconomic and fiscal risks remain moderate. Preservation of favorable terms of trade, a balanced currency market, a sufficient level of international reserves and a moderate fiscal policy create a margin of safety for the economy. The acceleration of the economy will depend on the ability to increase private investment and the risk of the spread of new waves of COVID-19 and the introduction of quarantines due to the still weak vaccination. The level of uncertainty in the coming years may increase - primarily in the energy sector and foreign capital markets. Continued cooperation with the IMF and other international financial organizations will make it possible to maintain access to external financing and help accelerate economic growth. The main risks for economic growth and ensuring macroeconomic stability will remain the following:

- possible exacerbation of the pandemic processes of the corona crisis;
- volatility in global capital markets, in particular due to a significant surge in inflation in the world, uncertainty regarding the timing of the normalization of monetary policy in leading countries;
- escalation of the military conflict with the Russian Federation;
- a decrease in the harvest of the main agricultural crops, as well as rapid climate changes, which can lead to an increase in the volatility of food prices;
- slowing down of cooperation with the IMF.

In such an environment, the main task of participants in the banking industry is to maintain their previously established positions, prevent a decrease in economic capital and the level of solvency, rebuild the technologies for conducting banking operations, reduce the level of non-working assets and costs not related to the main activity, develop new segments of service provision. In view of the above, during 2020-2021 the Bank significantly changed the structure of active operations due to the ahead pace of investments in OVDP and cash assets, which should ensure the stability of the Bank in the event of a deterioration in external business conditions due to the strengthening of negative economic consequences, including those caused by the COVID-19 pandemic. So for the year ended 31 December 2021:

- the volume of cash assets increased by 3.7 times, their share in assets remained sufficiently high (10.1%);
- the volume of investments in OVDP increased by 77% - almost by UAH 2 billion, their share in assets increased to almost 40%;
- placements in NBU certificates of deposit increased by 68% - by UAH 660 million, their share in assets remains quite high - 14.2%;
- the growth rate of credit transactions was 30% (for the previous year – 28%), but their share in assets decreased from 41% to 34%.

In addition, the Bank is actively developing the segment of documentary transactions. As of January 1, 2022, the volume of issued guarantees amounted to 3,170.5 million hryvnia equivalents, which is 37.5% higher than the previous year. The main principals under the issued guarantees are participants and winners of tenders in the Prozoro system, the beneficiaries under the provided guarantees are state bodies and state-owned enterprises, international associations and unions. The potential of documentary operations has not been exhausted, but there is an increase in the level of competition in this segment.

Therefore, despite the fact that the management 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 position of the Bank, the nature and consequences of which are currently impossible to determine. These financial statements reflect the management staff's current assessment of the impact of operating conditions in Ukraine on the Bank's operations and financial position. Future operating conditions may differ from management's assessment.

Note 3. Basis of preparation

The Bank's financial statements for 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual financial statements for 2021 have been presented in accordance with the requirements of the "Regulation on Accounting and Financial Reporting in Ukrainian Banks", approved by the National Bank of Ukraine No. 373 dated 24 October 2011, and considering the "Methodological Guidelines on the Rules Governing the Compilation of Notes to Financial Statements of Ukrainian Banks" approved by the National Bank of Ukraine No. 274-рш dated 9 April 2019.

The Bank's functional currency, in which the accounting records are maintained and financial statements are prepared, is Ukrainian hryvnia. The unit of account is thousands of Ukrainian hryvnias (UAH '000).

Going concern

As a result of the military aggression of the Russian Federation against Ukraine and the declaration of martial law in Ukraine from 24 February 2022, there have been significant changes in the operational environment in which the Bank conducts its activities, including of a negative nature and faced by the banking sector of Ukraine, in particular:

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

a controlled reduction in the rate of growth of the loan portfolio in comparison with the Bank's Development Strategy due to the strengthening of the credit policy regarding new lending, in particular, in terms of the type of activity and regional presence of the potential borrower, in order to diversify the loan and investment portfolio, including by maintaining a significant share of low-risk domestic government bonds on the Bank's balance;

the deterioration of the financial condition of separate borrowers, the inability of some borrowers to service loans due to the cessation of business operations, the loss of sources of income by individuals due to martial law, which leads to a partial decrease in the quality of the Bank's loan portfolio. In addition, part of the collateral property is located in the temporarily occupied territory, which also negatively affects the assessment of credit risk, but the share of such property in the total amount is insignificant (2.56%);

a decrease in the volume of operating income, which is associated with a decrease in the business activity of clients.

In order to analyze the impact of the risk of revenue shortfall and the Bank's ability to continue its operations under martial law, the Bank's management prepared an updated financial

forecast as of the end of May 2022, which shows that the Bank is able to operate on a going concern basis.

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:

- in the first months of the war, funds from the National Bank of Ukraine, attracted under the terms of refinancing, partially replaced the outflow of funds from the deposit and current accounts of clients. Currently, the situation with the outflow of client funds has stabilized (in May, the dynamics of attracting funds is positive), which, including allowed early return of NBU funds;

- in the future, it is planned to further reduce dependence on NBU funds due to the early return of funds, by attracting additional client funds (including as a result of the Bank entering new regions), which is one of the essential assumptions of the Bank when preparing an updated financial forecast, as well as due to partial repayment of the loan portfolio

- The Bank plans another stage of capitalization, namely, the increase of the authorized capital of the Bank at the expense of the profits of previous years, as well as the conversion of funds raised on the terms of subordinated debt in the amount of UAH 216,500 thousand into the Bank's capital, which is definitely evidence of the support of the Bank's Shareholders (Recapitalization measures are planned for the III quarter of 2022).

- The Bank continues cooperation with international financial organizations - for example, during the period 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 Finance Corporation (EUR 5 million and USD 5 million), which the Bank has not yet used.

In connection with the military aggression of the Russian Federation, the Bank strengthened its credit policy in terms of regional and industry risks, borrower profile, as a result of which the pace of lending slowed down, but in terms of structure and quality, it corresponds to the indicators of the Strategy.

The bank is an active participant in government programs. In particular, the Bank takes an active part in the state program of assistance to farmers in carrying out the sowing campaign in 2022, initiated directly by the Ministry of Agrarian Policy of Ukraine, by financing agricultural producers at the expense of the Bank's own funds. The loan portfolio, secured by the Government's portfolio guarantee, amounts to UAH 300 million.

A stress test of the Bank's credit risk was conducted as of the end of May 2022, the scenarios of which, in particular, include the default of borrowers (property damage, non-payment of interest), a change in the market (fair) value of 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-mentioned indicators by 10%, the costs for the formation of reserves amount to UAH 112,744 thousand. Under the pessimistic scenario, which assumes a deterioration of the above indicators by 20%, the costs for the formation of reserves amount to UAH 255,055,000. It should be noted that the increase in the level of credit risk due to the devaluation of the national currency is partially compensated by the Trading result from the revaluation of foreign currency (the Bank maintains a long currency position), which is one of the essential assumptions of the Bank when preparing an updated financial forecast. The results of the stress test indicate the adequacy of the Bank's capital to cover additional significant risks and do not lead to violations of capital and/or credit risk standards.

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 and interest income (decrease) and the level of administrative and economic expenses (increase), respectively; In the part of Trading profit, the level of income from currency transactions remains extremely low due to the presence of regulatory restrictions on currency transactions; in terms of regulatory bans on transactions with securities, income from OVDP trading is not planned.

Adherence to capital standards - as of the end of May, the Bank complied with both the requirements regarding the minimum level of regulatory capital (the actual amount was UAH 970.2 million), and the standards of capital adequacy H2 (14.02%) and adequacy of core capital H3 (7.01%) of the Bank. Despite this, taking into account the expected expenses for the formation of reserves to cover losses, as well as the increase of the Accounting rate by the National Bank of Ukraine from June 3, 2022, in order to increase the capital adequacy ratio, the Bank plans to increase the authorized capital and, accordingly, equity in the near future, as indicated above.

Compliance with other economic regulations established by the National Bank of Ukraine - as of June 1, 2022, the Bank complied with all regulations, in particular, liquidity and credit risk, with the exception of the L13-1 long currency position limit. At the same time, it should be noted that the Bank maintains a long foreign currency position primarily for the purpose of selling foreign currency to borrowers who have debts in foreign currency and aim to repay the debt (today there are regulatory restrictions on the sale of foreign currency to repay loans exclusively from its own currency position banks), which, in turn, allows to significantly reduce the level of both credit and currency risks.

As of the end of May 2022, 28 branches (out of 30) are operating. During the II-III quarter of 2022, it is planned to open new branches in Western Ukraine, namely in the cities of Ivano-Frankivsk, Lutsk and Rivne.

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. The most significant negative impact of the Russian military aggression on the Bank's financial results in 2022 will be the formation of reserves for expected losses, which is explained by the Bank's extremely conservative approach (applying the principle of caution) to credit risk assessment. The Bank's management, taking into account the expected liquidity indicators, the expected profitable activity, the planned growth of the authorized capital due to the profit of the past years and the subordinated debt, compliance with the regulatory requirements of the National Bank of Ukraine, believes that there are sufficient grounds for preparing this report based on going concern basis. The uncertain impact of the future development of the military invasion on the basis of the above-mentioned essential assumptions underlying the forecasts, the lower level of profitability of the Bank and macroeconomic instability in the state, definitely slow down the pace of implementation of the approved Development Strategy by the Bank.

Because management's estimates and forecasts were based on assumptions and events that have not had analogs in the past, both for the Bank and for the state as a whole, a material uncertainty exists that may cast doubt on the Bank's ability to continue as a going concern.

At the same time, taking into account the implemented and planned measures to strengthen the financial stability of the Bank, 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 key indicators of the Bank's activity, in particular, capital adequacy and liquidity standards, the management has come to the conclusion that, notwithstanding the above-mentioned factors, which may lead to the emergence of significant uncertainty regarding the Bank's ability to continue as a going concern, there are sufficient grounds for preparing these financial statements on the basis of the going concern principle.

Note 4. Significant accounting policies.

According to the requirements of legislation and internal documents of the Bank on accounting and financial reporting, the Bank's management system, its organisational structure, the Bank determines independently the specific accounting methods and procedures that form its accounting policy.

The summary of significant accounting policies used in the preparation of these financial statements is 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 2021.

The Bank does not have any subsidiary or associated company.

Note 4.2. Basis of measurement

Financial assets and/or financial liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of financial instruments. All regular way (ordinary) acquisitions of financial assets are recognised by the Bank on a settlement date. Assets and liabilities of the Bank are measured and recognised in accounting records with reasonable prudence in order to avoid the possibility of carrying forward the existing financial risks to future reporting periods. An asset is recognised when an inflow of future economic benefits is probable and the asset has a cost or value that can be reliably measured. A liability is a present obligation of the Bank arising from past events, the repayment of which entails the outflow of the Bank's resources

Note 4.3. Financial instruments.

4.3.1. Classification of financial instruments by categories. Summary and assessment of the business model used in the management of financial asset and characteristics of contractual cash flows (SPPI test)

Financial assets.

According to the IFRS 9, financial assets are classified in one of three categories that are measured at:

- amortised cost (AC);
- at fair value through other comprehensive income (FVOCI);
- at fair value through profit or loss (FVTPL).

All financial assets are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

If on the date of initial recognition, the fair value of financial asset differs from the transaction price (excluding the transaction costs), the Bank accounts this difference as follows:

- for transactions with shareholders: in equity;
- for other transactions: in profit or loss.

All standard financial asset transactions are posted on the date of transaction, that is, on the date when the Bank assumes an obligation to acquire the asset.

Classification and measurement of financial assets reflect the business model of managing the financial assets and characteristics of their cash flows. Depending on the business model and characteristics of contractual cash flows (based on SPPI test carried out in accordance with IFRS 9 Financial Instruments), financial assets of the Bank may be classified into groups.

A financial asset is measured at AC, if the following conditions are met simultaneously:

- an asset is held within a business model aimed at holding assets to collect 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.

The financial asset is classified for further measurement at FVOCI, if it is held within the business model whose objective is to hold assets both to collect contractual cash flows and sell financial assets; and the contractual terms of a financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank may take an irrevocable decision to reflect further changes in the fair value of the instrument in other comprehensive income. This choice is made for each investment separately, and mainly concerns strategic investments that are not investments in subsidiaries.

All other financial assets, that is, financial assets that fail to meet the requirements of classification at AC or FVOCI are classified for further measurement at FVTPL. Moreover, the Bank may, at the initial recognition, assign for the financial asset the category of asset at FVTPL, if such choice eliminates or significantly reduces the inconsistency in valuation or reflections (sometimes called "accounting mismatches") that would otherwise arise as a result of valuation of assets or liabilities or recognition of profits or losses on them by different methods (otherwise).

Financial liabilities.

After the initial recognition, the Bank measures and accounts all financial liabilities at AC, except for:

- financial liabilities at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or the continuing involvement principle applies;
- financial guarantee, avalisation and surety agreements;
- commitments to provide a loan at a below-market interest rate;
- contingent consideration that arose from a business combination falling within the scope of IFRS 3 Business Combinations. Such a contingent consideration is subsequently measured at FVTPL.

When calculating the effective interest rate, the Bank determines the cash flows by considering all the contractual terms of the financial instrument, including all fees and other amounts that constitute an integral part of the income (expense) of a financial instrument. Where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the Bank uses the contractual cash flows over the contractual term of the financial instrument.

4.3.2. Initial recognition of financial instruments.

On initial recognition, all financial assets other than financial receivables and receivables from the Bank's business operations are measured at fair value, except for financial instruments measured at fair value through profit or loss. The best evidence of the fair value of a financial asset at initial recognition is normally the transaction price, i.e. the fair value of the consideration given.

Where the nominal interest rate of a financial asset does not reflect the market interest rate (e.g. contract interest rate is 5%, whilst the market interest rate on similar loans is 8%), and the Bank receives the original payment (commission fees, consideration, etc.) as a consideration, the financial asset is recognised at fair value, that is, net of the payment received.

Fair value of financial assets classified at AC shall include transaction costs (other payments directly attributable to the origination/recognition of a financial instrument) recognised on non-amortised discounts/premiums.

The cost of financial assets at FVTPL does not include transaction costs. Transaction costs incurred to acquire such financial assets are recorded in profit or loss.

On initial recognition, all financial liabilities other than financial payables and accounts payable on economic transactions are measured at fair value, increased (or decreased in case of financial liabilities not measured at FVTPL) by the amount of transaction costs directly attributable to the acquisition or issue of a financial liability.

Financial payables and accounts payable on economic transactions are treated as trade accounts payable. Given that such accounts payable contain no significant financing components, it is initially recognised at transaction price.

Vostro accounts and on-demand deposits of customers (including current accounts) are measured at cost.

4.3.3. First-day profit or loss

During the initial recognition of financial instruments, the Bank recognises gains or loss in the amount of the difference between fair value of the financial asset or financial liability and contractual amount in correspondence with the accounts of discount (premium), if the effective interest rate on this instrument is higher or lower than the market one. The difference between the fair value of a financial asset or financial liability and the contractual amount of transactions with shareholders is reflected in class 5 accounts "bank capital" of the Chart of Accounts and included in parts to the retained earnings (losses) for the period of its retention or as the total amount at the disposal of the financial instrument. If the interest rate of a financial asset or financial liability is different from the market interest rate, the Bank recognises the first-day profit/loss.

4.3.4. Subsequent measurement of financial instruments.

Depending on the business model and characteristics of contractual cash flows (based on SPPI test carried out in accordance with IFRS 9 Financial Instruments), financial assets of the Bank may be classified into groups:

- measured at amortised cost (AC);
- measured at fair value through other comprehensive income (FVOCI);
- measured at fair value through profit or loss (FVTPL).
- Financial liabilities of the Bank may be classified into the following groups:
- measured at amortised cost (AC);

- measured at fair value through profit or loss (FVTPL);
- measured at fair value partially through profit or loss (FVTPL) and partially through other comprehensive income (FVOCI).

Measurement at amortised cost.

For financial assets at AC, interest income is recognised using the effective interest method.

Effective interest method (“EIR method”) ensures equal returns of a financial instrument by allocating income and expenses equally to all periods over the life of the instrument.

EIR method is applied in accordance with this policy by reference to the methodological guidance for calculating the effective interest rate of the financial instrument with the Ukrainian banks.

When calculating the effective interest rate, cash flows are estimated by considering all contractual terms of the financial asset, including all commission fees and other amounts paid or received between parties to the contract (transaction costs) that are an integral part of the income (expense) of a financial instrument and amounts to be paid/received in the future, if such information is known at the date of initial recognition. Where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the Bank uses the expiration dates and contractual cash flows.

For certain financial instruments that cannot generate cash flows (overdrafts, credit card loans, overnight loans/deposits, nostro accounts, etc.), interest gain/loss is accrued using the nominal rate.

For short-term financial debt, receivables from the Bank's business operations and cash, interest income is not accrued and the amortised cost equals the actual cost of acquiring or generating the asset.

Such assets are tested on each reporting date for impairment and, where necessary, a respective impairment allowance is charged or adjusted through profit or loss in class 7 accounts.

Measurement at fair value through profit or loss.

For financial assets at FVTPL, the Bank recognises on each reporting date the gains/losses in the amount of difference between the fair value and carrying amount of the financial instrument.

In doing so, the Bank first accrues interest and calculates the unwinding of discount or premium before charging revaluation surplus or deficit of a financial asset in the amount of difference between its fair value and carrying amount.

The Bank recognises interest income on debt securities at FVTPL in revaluation surplus/deficit. For these securities, interest is not accrued and discount or premium is not unwound.

Such assets are not tested for impairment and a respective impairment allowance or provision is not charged.

Measurement at fair value through other comprehensive income.

For financial assets at FVOCI, the Bank recognises on each reporting date the gains/losses in the amount of difference between the fair value and carrying amount of the financial instrument in capital accounts. Such assets (other than equity instruments) are tested on each reporting date for

impairment and, where necessary, a respective impairment allowance is charged or adjusted through profit or loss.

For debt instruments, the Bank first accrues interest and calculates the unwinding of discount or premium and calculates an allowance before charging revaluation surplus or deficit of a financial asset in the amount of difference between its fair value and carrying amount.

Dividend income from shares is recognised in income before charging revaluation surplus or deficit of a financial asset in the amount of difference between its fair value and carrying amount.

It should be noted that normally when there is an allowance, positive result of revaluation is remote.

The revaluation amount recognised in equity is not transferred to profit or loss. On disposal of financial assets, accumulated revaluation is transferred to retained earnings/losses.

For unquoted shares, fair value becomes their cost.

Cash, including nostro accounts, is subsequently measured at AC (amortised cost equals the actual cost of acquiring or generating the asset).

The measurement technique used in measuring financial liabilities at AC is similar to the measurement technique for financial assets at AC.

Guarantees are measured at the higher of:

- ECL allowance;
- initially recognised amount less amortisation of commission fees under guarantees calculated on a straight-line basis.

Vostro accounts and on-demand deposits of customers (including current accounts) are measured at cost.

All non-derivative financial liabilities are carried at AC.

Derivative instruments are accounted for at FVTPL. Derivative financial liabilities that the Bank acquires or generates for hedging purposes are also classified at FVTPL in the absence of documents related to hedging relationships in accordance with IFRS 9.

General principles of classification of financial assets and financial liabilities are established in the Regulation on Determining the Credit Risk Exposure on Asset-side Banking Transactions and Creating an Expected Credit Loss Allowance for Transactions with Financial Instruments of JSC BANK ALLIANCE (“the Regulation”), in a new wording, which constitutes an integral part of the Accounting Policy Regulation.

4.3.5. Re-classification of financial assets.

Recognised financial assets are reclassified only if the Bank makes changes to the business model for its operations. Such changes are expected to be very infrequent. Such changes are determined by the Bank’s senior management as a result of external or internal changes and must be significant to the Bank’s operations and demonstrable to external parties.

Accordingly, any change in the business model will occur when, and only when, the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank has acquired, disposed of or terminated a business line. More specifically, if the business model is tested annually, if the business model changes due to an excess of maximum sales for the

period, provided that these sales indicate a change in the Bank's risk management approach (both existing and new risks), the Bank changes the business model and reclassifies existing assets on the first business day of January next year.

In case of other changes to the business model (in particular, if the business model changes due to an excess of maximum sales for the period, provided that the Bank has no plans to sell the remainder of existing assets but considers selling new assets acquired after the date on which the business model was tested), existing financial assets are not reclassified and a new business model applies only to financial assets acquired after the date on which the business model was tested.

If the Bank reclassifies financial assets, it applies a reclassification prospectively from the reclassification date. The Bank does not restate any previously recognised profits, losses or interests.

If the Bank decides to reclassify a financial asset *out of the AC measurement category into the FVTPL measurement category*, it determines its fair value at the reclassification date. The Bank recognises the difference between the previous amortised cost of a financial asset and its fair value in profit or loss.

If the Bank decides to reclassify a financial asset *out of the FVTPL measurement category into the AC measurement category*, it determines its fair value at the reclassification date. Its fair value at the reclassification date becomes its new gross carrying amount.

The Bank determines the effective interest rate based on the new gross carrying amount of the financial asset and charges an ECL allowance at the reclassification date (unless the reclassified financial asset is impaired).

If the Bank decides to reclassify a financial asset *out of the AC measurement category into the FVOCI measurement category*, it determines its fair value at the reclassification date. The Bank recognises the difference between the previous amortised cost of a financial asset and its fair value in other comprehensive income. The Bank does not reset the initial effective interest rate at the reclassification date, nor revises the estimate of ECLs.

If the Bank decides to reclassify a financial asset *out of the FVOCI measurement category into the AC measurement category*, it measures such a financial asset at fair value at the reclassification date.

The Bank removes from equity the cumulative gain or loss previously recognised in other comprehensive income at the reclassification date. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECLs are not adjusted as a result of the reclassification.

4.3.6. Criteria for charging a liability allowance.

The Bank calculates the amount of credit risk on financial liabilities on an individual basis. The Bank assesses the credit risk on financial liabilities recorded under the off-balance sheet accounts grouped as follows:

- guarantees, suretyships, letters of credit and bills of acceptance provided;
- credit-related commitments provided to banks;
- credit-related commitments provided to customers;
- foreign currency and precious metals receivable;

- foreign currency and precious metals receivable on net settled contracts at FVTPL (without delivery of the underlying asset);
- securities receivable on underwriting transactions;
- assets receivable on net settled contracts at FVTPL (without delivery of the underlying asset);
- assets receivable.

The Bank assigns the borrower/counterparty class 1 and a zero PD ratio to the following:

- credit-related commitments provided to customers (other than banks) that are revocable and risk-free, i.e. the contractual terms contemplate an unconditional right of the Bank to unilaterally withdraw from further fulfilment of its obligations without giving a prior notice to the borrower, including in the event of any deterioration of the borrower's financial position and/or untimely fulfilment of contractual obligations to the Bank;
- avals of tax anticipation bills provided by the Bank;
- transactions with assets receivable on spot terms, forward contracts, options and futures contracts, whereby the Bank has no obligation to make a prepayment and there is a right to withdraw from an obligation, including by a settlement on a net basis.

The Bank takes into account the credit risk exposure on the irrevocable financial liability granted, exposure at default (EAD) decreased by amount of consideration received by the bank before using the credit conversion factor (CCF), which depends on the life and type of financial liability.

The Bank determines the borrower's PD ratio for a financial liability granted by reference to the type of borrower (whether the borrower is an entity, individual, bank or budgetary institution).

The Bank assigns the class 1 borrower in respect of a financial liability granted, before its fulfilment, if:

- the borrower/counterparty has no indications of a high credit risk exposure;
- the borrower/counterparty is not subject to default criteria set out by the Bank.

4.3.7. Criteria of impairment of financial assets and estimation of expected credit losses.

4.3.7.1. Stages of impairment.

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

Financial instruments in ***Stage 1*** have their ECLs measured at an amount equal to the portion of lifetime ECLs that may result from default events during the next 12 months. Financial instruments in ***Stage 2*** or ***Stage 3*** have their ECLs measured based on the credit losses expected from the default events for the entire lifetime of the instrument.

According to IFRS 9, when calculating the ECLs, it is necessary to take into account the forward-looking information. Purchased or originated financial asset that are credit-impaired are financial assets that are credit-impaired on initial recognition. The ECLs for such instruments are always measured based on the lifetime ECLs.

The Bank recognises the ECL allowance for debt financial assets at AC and debt financial assets recorded at FVOCI.

The Bank recognises the allowance for *Stage 1* financial assets (12-month ECLs) no later than on the next reporting date following after initial recognition of the financial asset. The next reporting date for creating the ECL allowance for financial instruments is the last day of the month, on which the financial instrument was recognised.

The Bank estimates the increase in the expected credit risk on the financial instrument from the date of its initial recognition on the next reporting date after its initial recognition.

The Bank continues to recognise the allowance for *Stage 1* financial asset at if, on the reporting date, the risk exposure on the financial asset has not increased significantly since initial recognition, or the financial asset has a low credit risk at the reporting date.

The Bank recognises the allowance for *Stage 2* financial assets (lifetime ECLs) if, on the reporting date, the risk exposure has significantly increased since initial recognition; the principal amount or its larger part is payable on maturity or within more than one year on the individually significant assets, which include asset-side transactions totalling UAH 2,000,000.00 in debt or more, or a foreign currency equivalent of that amount translated at the official exchange rate established by the National Bank of Ukraine on the date of charging the allowances; or 30 largest borrowers, regardless of the amount of debt.

The Bank charges the allowance for *Stage 3* financial assets that are credit-impaired (lifetime ECLs), if there is an objective evidence of impairment of a financial asset at the reporting date, in particular: there are observable inputs that become known and result in losses and contemplate, but not limited to, the following: the financial position corresponds to 10/5/2 classes, depending on the type of financial instrument; the use of reducing factors that reduce the financial position, depending on the type of financial instrument, to 10/5/2 classes, which include, in particular, the facts of debt overdue by more than 90 days and/or signs of default, etc.

Given the need to form a sufficient number of historical observations that are relevant in time and for similar financial assets, including under the normal economic conditions, the Bank, within the limits of its discretion, recognises the allowance for financial assets – lending transactions, including for interbank loans and financial receivables with a maturity of more than three months, balances on nostro accounts, Stage 2 warranty obligations – the lifetime ECLs.

According to the simplified approach, the Bank recognizes the expected credit losses during the entire validity of financial asset under the trade receivables or contractual assets arising from transactions that fall within the scope of application of the International Financial Reporting Standard 15 "Revenue from Contracts with Customers" and which: do not include a significant component of financing according to IFRS 15 or include a significant component of financing according to IFRS 15. The Bank estimates the estimated provision for the expected losses in an amount which is equal to the expected credit losses for the entire validity of financial asset and is applied by the Bank to the financial receivables for a period of up to three months, receivables under the economic activities.

The Bank charges the allowance for Stage 3 financial assets that are credit-impaired (financial assets credit-impaired on the basis of default events), if there is an objective evidence of impairment of a financial asset at the reporting date, in particular: there are observable inputs that become known and result in losses and contemplate, but not limited to, the following: the financial position corresponds to 10/5/2 classes, depending on the type of financial instrument; the use of

reducing factors that reduce the financial position, depending on the type of financial instrument, to 10/5/2 classes, which include, in particular, the facts of debt overdue by more than 90 days and/or signs of default, etc.

4.3.7.2 Purchased or originated credit-impaired financial assets

The Bank does not charge an allowance for purchased or originated created-impaired financial assets on initial recognition. Initial ECLs for such a financial asset are included to the credit-adjusted effective interest rate.

This financial asset cannot be moved out of Stage 3 to Stage 2 or Stage 1

4.3.7.3 Techniques used in calculating expected credit losses, criteria of significant increase in credit risk.

Credit risk is calculated in five phases:

- **Phase I** – analysis of initial credit risk exposure;
- **Phase II** – analysis of characteristics of an asset-side transaction;
- **Phase III** – calculation of the of credit risk (CR) exposure on asset-side transactions;
- **Phase IV** – calculation of an expected credit loss (ECL) allowance for transactions with financial instruments;
- **Phase V** – approval of a credit risk estimate and ECL allowance by the Credit Committee or Management of the Bank.

The Bank determines the credit risk on assets in accordance with the substance over form principle (the substance of the Bank's asset-side transactions prevails over their form), which is used to ensure completeness and adequacy of the credit risk assessment in measuring the credit risk exposure or in charging allowances/provisions for assets both on an individual and collective basis.

An estimate of ECL allowance for financial assets at AC or at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and debt servicing status.

The Bank applies credit risk mitigation techniques that objectively, in accordance with the prudence principle, ensure its minimisation. In particular, there is objective evidence of existence (availability); accessibility; market value estimates; insurance; control over the proper condition, safety, disposal/replacement of collateral; an option to alienate the collateral to the benefit of the bank.

Furthermore, the Bank takes into consideration its own experience in assessing credit risk by applying judgment of management personnel/collegiate body in respect of the following:

- downward adjustment to the borrower's/counterparty's class (downgrading);
- assessment of the effect that the risks have on the financial position of the borrowing entity as a result of its participation in a group of entities under common control and/or group of related counterparties.

To ensure adequate measurement of an asset, the Bank takes into consideration any indication of a high credit risk of the borrower/counterparty. The consideration takes the form of adjustment to the class of borrower/counterparty.

The Bank assigns class 5 borrower/counterparty, or lower (for corporate borrowers other than banks, budgetary institutions and corporate borrowers of an investment project loan)/3 (for other borrowers), if the following indications exist:

- the loan is granted to a non-resident corporate borrower whose rating is not evidenced by any of the leading global rating agencies (companies) as established by the law of Ukraine and other internal documents of the Bank;
- the corporate borrower has operated for less than one year since its registration (not applicable in case of borrower's reorganisation; borrower is part of a group; assessment of the borrower of investment project loan);
- debt is overdue by 31 calendar day or more [from the date the obligation is fulfilled (payment is made) in accordance with the contract] (not applicable if the borrower/counterparty is part of a group) on the following:
 - discounted bills of exchange;
 - factoring transaction;
- corporate borrower, including the issuers of securities (non-resident), has no international scale credit rating assigned.

The Bank assigns class 9 borrower/counterparty, or lower (for corporate borrowers other than banks, budgetary institutions and corporate borrowers of an investment project loan)/4 (for other borrowers), if the following indications exist:

- loan provided to Borrower A is directed to repay the loan of Borrower B, which Borrower B used to repay the loan of Borrower C;
- debt is overdue by 61 calendar day or more [from the date the obligation is fulfilled (payment is made) in accordance with the contract] (not applicable if the borrower/counterparty is part of a group) on the following:
 - discounted bills of exchange;
 - factoring transaction;
- corporate borrower has a negative equity at the end of the year for the last three consecutive years (applicable to the group if the borrower is independent to the group);
- corporate borrower simultaneously has interrelations (applicable to the group if the borrower is part of the group):
- the bank has placed funds on a correspondent account with a non-resident counterparty bank that has a global credit rating below BB+ as classified by Standard & Poor's or Fitch Ratings, or below Ba1 as classified by Moody's Investors Service, in which the number of transactions (other than income accruals) for 3 consecutive months preceding the measurement date was less than 2.

The Bank assigns class 4 borrower/counterparty to funds placed on correspondent accounts with other banks that are locked-up/encumbered.

4.3.7.4 Definition of default

The assessment of credit risk for a portfolio of assets entails further estimations of the probability of default, associated loss ratios and default correlations between counterparties. The Bank estimates the credit risk using probability of default (PD), exposure at default (EAD) and amount of loss given default (LGD).

Loss given default (LGD) is a component (ratio) of calculating the credit risk exposure that reflects the level of expense (losses) caused by default of the borrower/counterparty.

Probability of default (PD) is a component (ratio) of calculating the credit risk exposure or expected credit losses that reflects the likelihood that a borrower/counterparty will be unable to meet its obligations.

Expected credit losses (or ECL allowance) are the weighted average credit losses with the probability of default (PD) as their weight.

Definition of default used by the Bank is fully consistent with the definition of credit impairment, and default is recognised for a financial instrument when one or more of the following criteria (events) are met.

The Bank recognises the default of a borrower/counterparty and assigns class 10 or lower (for corporate borrowers) / class 5 (for other borrowers) when one or more of the following events occur:

- the borrower/counterparty (other than other bank) has 90 or more calendar days overdue on its debt to the Bank. the bank borrower or counterparty has 30 or more calendar days overdue on its debt to the Bank or fails to meet the Bank's requirement;
- the borrower/counterparty is unable to fully ensure the fulfilment of obligations to the Bank, its parent and subsidiaries within the period established under a contract(s) without the Bank resorting to the foreclosure of collateral (if any).

The Bank recognises a default event referred to in subparagraphs when at least one of the following conditions exist:

- the Bank has charged an impairment provision for the financial asset given to the borrower amounts to 50 per cent of the debt or more;
- changes made to the contract, including those related to debt restructuring (other than debt restructuring regulated by the applicable laws of Ukraine or financial restructuring of obligations of the Ukrainian nationals on foreign-currency loans in which the borrower complies with contractual terms), comprise the following:
 - partial forgiveness of debt and/or;
 - capitalisation or replacement of other accrued and unpaid interest on more than 90 consecutive calendar days;
- the borrower/counterparty has declared bankruptcy;
- the borrower/counterparty has been declared bankrupt / an entity undergoes liquidation (termination) in a procedure established by law / bank borrower is classified as insolvent by decision of the National Bank of Ukraine / bank licence is revoked;
- the bank initiated bankruptcy proceedings against the borrower/counterparty in a procedure established by the law of Ukraine;
- The Bank has approved the decision to bail-in (transfer) part or all of the borrower's/counterparty's debt into the borrower's/counterparty's equity (except when the law of Ukraine on financial restructuring precludes doing so);
- at least one of the credit ratings on the international corporate borrower scale is downgraded to D by Standard & Poor's or Fitch Ratings, or to C by Moody's Investors Service;
- an asset was re-substituted by or subsequently swapped with another asset;
- changes are made to the contract, which are not related to restructuring, to increase the period of using the asset provided to the borrower who is unable to repay debt without selling the collateral, even if the debt is not overdue at the date of repayment. Extension of

the term of a tranche within the credit facility opened by the Bank to the debtor does not constitute a change of the contract that increases the period of using the asset;

- the debt on a borrower's/counterparty's asset was written-off against an allowance;
- one of the borrower's/counterparty's assets was sold with a loss of 20% of the debt or more;
- the Bank has cancelled a lease due to the borrower's (lessee's) non-compliance with the lease arrangement, and the cancellation extends to one of the borrower's (lessee's) assets;
- the Bank sells an asset/assigns claims for an asset under deferred payment terms of more than 7 calendar days in accordance with the sales/assignment contract (including with reference to the changes made to the sales contract for such an asset) accompanied by one or more of the events below:
 - the acquiring counterparty has paid to the Bank less than 30% of the asset's value or made no payment for the asset as at the date of credit risk assessment;
 - the counterparty makes a lump-sum payment for the asset at the end of the sales contract or pays a larger portion of its value at the end of the sales contract;
- the debt is overdue for more than 90 calendar days (since the obligation was fulfilled (payment was made) under the contract) on the following:
 - discounted bills of exchange;
 - factoring transaction;
- the borrower, who is the issuer of securities, in a procedure prescribed by regulations of the National Securities and Stock Market Commission, is included to the list of issuers with fictitious features;
- the repayment of nominal value or interest on debt securities is delayed by 7 calendar days or more;
- the Bank:
 - has no financial statements of the corporate borrower for the previous reporting period within three months or more from submission deadline;
 - and/or
 - has not made a breakdown of income composition in form no. 2 (2-м, 2-мс) "profit and loss statement" (column 2000, 2010 and 2120) of the annual financial statements of the corporate borrower for the previous reporting year prepared under Ukrainian Accounting Standards 1-25;
 - the borrower's financial statements that the Bank used to assess the borrower's financial position is not consistent with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" / the national law of a country in which the non-resident borrower is located;
 - the financial statements filed by the borrower contain a negative auditor's opinion / auditor's refusal to express an opinion;
- the borrower has chosen an option to replace the previous contractual terms related to discharge of obligations with those that meet conditions set out in subparagraphs of paragraph 2.

The Bank recognises a default event set out in subparagraphs of paragraph 3 when at least one of the following conditions is present (if the bank has not proven the absence of the borrower's/counterparty's default using its judgment):

- the debt paid by the borrower (other than debt arising from an investment project loan granted for production the nature of which is seasonal or cyclical; loan granted to a

borrower that is a member of the group whose consolidated/combined financial statements confirm that its financial resilience is probable) is higher than gains recognised by the bank in accordance with the accounting-related regulations of the National Bank of Ukraine;

- changes made to the contract, including those related to debt restructuring (other than debt restructuring regulated by the applicable laws of Ukraine or financial restructuring of obligations of the Ukrainian nationals on foreign-currency loans in which the borrower complies with contractual terms) due to the financial problems of the borrower, comprise the following characteristics: borrower class assigned by the Bank at the restructuring date is not higher than 8 (for corporate borrowers other than banks, budgetary institutions and corporate borrowers of an investment project loan) / not higher than 4 (for other borrowers), and/or the borrower has delayed the repayment by more than 30 calendar days since the restructuring;
- the contract is modified for the Bank to classify the asset within non-performing assets;
- the interest rate decrease of 30% or more from the original terms due to modifications of the previous terms unrelated to restructuring is not caused by changes in market conditions;
- the corporate borrower has no in-house or leased property, plant and equipment or other property required in its business (plant and equipment, warehouses, commercial or office spaces, etc.) that generates sufficient cash flows to repay the loan;
- the Bank has no information about ultimate beneficiaries (controllers) of the corporate borrower;
- the corporate borrower has no personnel necessary for operating activities;
- location of the corporate borrower does not correspond to the address that it specified;
- the borrower has chosen an option to replace the previous contractual terms related to discharge of obligations with those that meet conditions set out in this paragraph.

The Bank decides to derecognise the borrower's/counterparty's default when both of the following conditions are met:

- the borrower/counterparty has resumed periodic payments, i.e. for a period of 180 consecutive calendar days or more from the date on which the Bank has taken measures to restore its ability to service the debt, ensures monthly or quarterly (within 365 months) payment of principal or interest in an amount not higher than the interest accrued at a contractual rate for a respective period (month, quarter);
- at least 180 days have elapsed since default event(s) were recognised for the borrower;
- none of the borrower's/counterparty's obligations, at the date on which the decision to derecognise the borrower's/counterparty's default was made, is overdue by 30 calendar days or more;
- the Bank has documented reasonable judgment that the borrower/counterparty is able to service the debt in spite of existing financial difficulties.

where the borrower's/counterparty's default is derecognised, which had resulted previously from default event(s), the Bank does not re-recognise such an event(s) as default event.

4.3.7.5 Criteria for moving credit-impaired assets between different stages of impairment.

Financial asset that is not credit-impaired at initial recognition is classified in *Stage 1*, is constantly monitored and is moved to Stage 2 if there is a significant increase in credit risk (by reference to its class, number of days overdue, etc.).

Where the credit risk decreases within 12 months since initial recognition, the Bank may revert the financial asset out of *Stage 2* to *Stage 1*.

After 12 months since initial recognition, the Bank leaves the financial asset in *Stage 2* and, if there is a significant increase in credit risk, transfers it to *Stage 3*.

The financial asset ceases to be considered as defaulted (that is, it is restored), if it no longer meets any of the default criteria for at least 3 consecutive months or longer for restructured problem loans, and is determined based on the analysis that takes into account the probability that the financial instrument may return to default status after recovery, and different definitions of recovery after default.

4.3.8. How forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information.

In making observations, including historical, it is necessary to apply a relevant observation period for similar financial assets under normal economic conditions, adequate diversification of portfolio(s) both in terms of the total amount and the number of borrowers/counterparties and transactions with them.

When it is impossible to apply sufficient historical observation, the Bank makes an estimate by reference to the credit rating of the borrower/counterparty (financial position/class) and resultant PD value (risk indicator) in accordance with estimation techniques used by market participants to calculate the credit risk exposure set by the Regulation taking into account the effect of macroeconomic factors determined by other internal regulations of the bank or, if external inputs are used, using methods agreed upon in service supply contracts and/or access to database / measurement tool).

4.3.9. Changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

There has been no change in estimation techniques and significant assumptions during 2021.

4.3.10. Disclosure of policies for partial or complete write-off of financial instruments, recognition and derecognition policies, and derecognition of restructured loans (Derecognition of financial instruments)

Financial assets

A financial asset or group of similar financial assets (or part thereof) is derecognised if:

- the rights to receive cash flows from the financial asset have expired; or
- the Bank has transferred its rights to receive contractual cash flows from the asset, or it has retained the right to receive cash flows of the asset, but has assumed a contractual

obligation to pay them in full without material delay to a third party under a pass-through arrangement;

- the Bank has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from the asset, and has neither transferred nor retained substantially all the risks and rewards of the asset and has not transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset or the maximum amount of consideration that the Bank could be required to repay.

When the continuing involvement takes the form of a written or purchased option (including options that are net settled in cash or similar instruments) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase.

However, in the case of a written put option (including options that are net settled in cash or similar instruments) on an asset that is measured at fair value, the extent of the Bank's continuing involvement is the lower of the fair value of the transferred asset and the option exercise price.

The Bank writes down or writes off the gross carrying amount of a financial asset that is measured at amortised cost if there is no reasonable expectations of recovery.

Financial liabilities.

Financial liabilities are derecognised when the respective obligations are discharged, cancelled or expire.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.3.11. Modification of contractual cash flows on financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise *a modification gain or loss* in profit or loss.

The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate.

Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

4.3.12. Internal rating techniques and valuation of collateral

The Bank assigns internal ratings (classes of borrowers) based on the assessment of the borrower's financial position. Financial position of the borrower is determined by using a logistic model to calculate the integrated index of corporate borrowers and the score of other borrowers

followed by a subsequent adjustment to the borrower class obtained for signs of higher credit risk exposure and default, and by using an expedient whereby the number of days the asset is accounted for on the bank's balance sheet is assessed for trade receivables and the number of days overdue is assessed for financial receivables with a maturity of 3 months or more.

Collateral is measured on the basis of reports on the market value of property prepared by independent valuers and taking into account the adequacy principles and liquidity ratios.

Note 4.4. Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

The Bank's cash and cash equivalents comprise cash on hand, cash with the National Bank of Ukraine and cash on correspondent accounts with other banks.

Note 4.5. Mandatory reserves with the National Bank of Ukraine.

As at the end of 2021 and 2020 reporting year, the Bank had no obligation to transfer mandatory reserve funds to separate accounts opened with the National Bank of Ukraine.

Note 4.6. Loans and advances to banks.

The Bank carries out lending transactions according to the legislation of Ukraine, regulations of the National Bank, the Bank's credit policy, as well as other internal documents regulating the Bank's lending activities.

Amounts due from banks comprise short-term loans in the interbank market of Ukraine, for which the Bank recognises impairment. Initial recognition and subsequent measurement of such loans is governed by the same accounting principles as loans to customers.

Note 4.7. Loans and advances to customers

The Bank carries out lending transactions according to the legislation of Ukraine, regulations of the National Bank, the Bank's credit policy, as well as other internal documents regulating the Bank's lending activities.

Bank loan means any commitment of the Bank to provide an amount of money, any guarantee, any obligation to acquire the right to claim debt, any form of loan extension against the borrower's obligation to repay the amounts owed, interest and other amounts payable.

The lending transactions include asset-side transactions of the Bank that involve giving funds to customers on a temporary basis (cash or non-cash loans, factoring transactions, repo transactions, etc.), or making a commitment to provide funds on a temporary basis (guarantees, sureties, avals, etc.), as well as any repayment of a debt in exchange for the debtor's obligation to return the amount owed, to pay interest and other amounts payable.

Lending transactions were carried out according to the law of Ukraine and internal documents of the Bank based on written agreements concluded and signed by authorised persons.

The decision on granting loans and determining all essential terms and conditions of loan agreements was made by the collective bodies (the Credit Committee, the Management Board, the Supervisory Board of the Bank) according to the powers established by the Bank's Charter, the internal regulations governing the Bank's lending transactions.

The Bank classifies and measures loans granted based on the business model, that it uses for managing those assets, and their contractual cash flow characteristics at amortised cost.

Amortised cost of financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus any payments or repayments (principal, interest income (expenses) or other payments related to the origination of a financial asset or financial liability), plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for ECL allowance.

The business model was not determined for each separate loan granted, but rather for a group of financial assets.

Loans are measured at amortised cost and recognised if all of the following conditions are met:

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

Interest income on the loans is measured at amortised cost and is calculated by applying the effective interest rate to the gross carrying amount, except for:

- purchased or originated credit-impaired financial assets. For those financial assets, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset from the date of initial recognition;
- financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. The Bank shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

If, as a result of certain events, previously impaired financial asset has recovered and is no longer impaired, the Bank recognises the interest income by applying the effective interest rate to its gross carrying amount, starting from the next interest accrual date.

The Bank recognises the interest income and expenses on interest income and expense items in classes 6, 7 using the effective interest rate method.

The periodic revaluation of cash flows to reflect market interest rates leads to a change in the effective interest rate for floating-rate financial instruments.

The Bank amortises the unamortised amount on the loans granted at least once a month simultaneously with interest accrual.

The Bank applies nominal interest rate to financial instruments, for which future cash flows cannot be reliably measured (overdraft loans, revolving credit facilities) and to which the effective interest rate is not applied.

At the reporting date, the Bank analyses changes in ECLs for creating (winding-up) the allowance according to the International Financial Reporting Standards, internal documents of the Bank and in a procedure set out in regulations of the National Bank.

The analytical accounting is conducted with respect to the counterparty, which repays the credit debt, under the lending transactions (for example, factoring, discounted bills of exchange),

when the funds are provided to one person – the borrower (counterparty), and debt repayment is carried out by another person.

The liability amount is recorded on the corresponding off-balance-sheet account on the date of the lending transaction, namely on the date of any loan liability commencement at the Bank. If the loan is granted in full on the date of the loan liability commencement at the Bank, the loan commitments on the off-balance-sheet accounts are not reflected.

The loan funds granted are recorded under the relevant balance-sheet accounts, depending on the type of borrower, type of transaction, term and use of funds. At the same time, with reflection of funds provided to the borrower on the relevant balance-sheet accounts, this amount decreases the loan liability, recorded under the corresponding off-balance-sheet accounts.

The amount of debt unpaid by the borrower within the period specified in the agreement is transferred for the next business day to the corresponding accounts using separate parameters for accounting the overdue debt.

In order to repay the loan of individual borrowers and individual entrepreneurs under the loans granted in foreign currency, the Bank may purchase foreign currency for UAH received from the borrowers to ensure that they execute payments under the loan agreements.

The collective bodies (the Credit Committee, the Management Board, the Supervisory Board of the Bank) may take a decision on extension of the credit validity (prolongation) in case of receipt of the borrower's application, according to the powers established by the Charter of JSC "BANK ALLIANCE", the Bank's internal regulations governing the loan relations.

The Bank shall, at each reporting date, recognise the results of changes in the expected credit losses for the entire validity of the financial asset impaired during the initial recognition (including positive changes) in profits or losses as expenses/income for creating/winding-up of estimated provisions. Income from winding-up of estimated provisions is recognised, even if the amount of previously created provision for such financial asset is exceeded.

On the date of termination of recognition of the original financial asset, the Bank recognises the profits or losses for termination of recognition, equal to the difference between the carrying amount of original financial asset and the fair value of new financial asset.

The Bank derecognises a financial liability or its part when its contractual obligations are discharged or cancelled or expire.

The terms are substantially different if the net present value of the cash flows under the new terms discounted using the original effective interest rate, or, in case of a floating-rate financial liability, the effective interest rate computed as at the latest change of the nominal interest rate, is at least 10 % different from the discounted present value of the remaining cash flows of the original financial liability.

Overdraft credit agreement.

When concluding an overdraft agreement with a customer, the Bank lends it within the established limit by paying the customer's settlement documents over the balance on his/her current account. At the same time, the amount of loan commitments accounted for by the corresponding off-balance-sheet account reduces at the amount of the loan granted.

A special operating mode of the current account is established for customers with whom an overdraft agreement is concluded, namely, a debit balance may be created on the current account.

In case of default on payment of the overdraft interest, the Bank transfers the interest accrued for using to the account using certain parameters for accounting for the overdue debts on the interest accrued to the loan for current operations. Since there is a violation of overdraft agreement (late payment of interest), the principal amount of overdraft debt is transferred to the account for accounting loans to the current operations. In case of repayment of overdue debts on accrued interest, the principal debt amount is transferred to the account of accounting the overdraft loans.

If the repayment of principal overdraft amount is overdue, the debit balance on the overdraft account is transferred to the corresponding accounts using separate parameters for accounting the overdue loans to the current operations the next business day after the date of overdue.

In case of seizure of the customer's account, the Bank transfers the overdraft debt and profits accrued for its use to the corresponding accounts for accounting the loans to the current operations and income accrued thereon.

Bad debts on lending transactions.

Debt under the loans granted (except for the off-balance-sheet transactions and guarantees) is recognised as bad according to the Tax Code of Ukraine and its own regulations and methods developed according to the International Standards.

According to the legislation of Ukraine, the Bank carries out the necessary claim-related work to use all possibilities of debt repayment for bad debts.

A settlement agreement may be concluded at any stage of execution of court decision that is an agreement concluded by the parties in order to end the dispute under the terms and conditions agreed by the parties (the debtor and the creditor). When signing a settlement agreement to "forgive"/write off the debt, the amount of such debt is written off using the estimated provisions according to the decision of the Management Board of the Bank, subject to the agreement with the Supervisory Board of the Bank, as requested by the Credit Committee.

If the debt under the lending transactions is recognised as bad, it may be written off using the Bank's estimated provisions. The collective bodies (the Credit Committee, the Management Board, the Supervisory Board of the Bank) take a decision to write off such debt according to the powers established by the Charter of JSC "BANK ALLIANCE", the Bank's internal regulations governing the lending transactions.

The provisions should be created in full at the moment of debt recognition as bad. If a decision is made to write off the bad debts in foreign currency, the Bank may acquire foreign currency at the interbank currency market of Ukraine according to the regulations of the National Bank of Ukraine in order to create a provision.

In case of repayment of the loan debt written off using the estimated provisions and accounted on the off-balance-sheet accounts of group 961 "Asset debt written off as a loss", the funds received are to be credited to the accounts of group 671 "Repayment of assets written off", if the debt is written off in previous years, or 770 "Deductions to provisions", if the debt is written off in the current year.

The funds received in foreign currency to repay the bad debt, written off in previous years, are included in the accounts of class 6 (using the technical accounts 3800 and 3801) in hryvnia equivalent at the official exchange rate of hryvnia to foreign currencies on the date of receipt of such funds.

If the funds in foreign currency to repay the bad debt, written off using the estimated provision, are received by the Bank in the current year, hryvnia equivalent of such funds at the official exchange rate of hryvnia to foreign currencies relates to the accounts of group 770 "Deductions to provisions" on the date when the bad debt was written off using the estimated provision. The difference between hryvnia equivalent of the received amount of funds at the official exchange rate of hryvnia to foreign currencies on the date of their receipt and on the date when the debt was written off using the estimated provision refers to the account 6204 "Result from revaluation of foreign currency and precious metals".

Accounts receivable under transactions with customers, banks and other entities consist of debts of the Bank's counterparties under transactions carried out within the limits of license received by the Bank and other transactions that do not contradict the requirements of Ukrainian legislation.

Accounts receivable from financial and business transactions of the Bank consist of debts of the Bank's counterparties under transactions with financial instruments and debts under business transactions of the Bank.

Accounts receivable are the debt amount, which belongs to legal entities and individuals that arises in the process of relations with the Bank. Depending on the type of the counterparty's activities and the type of transaction, accounts receivable are accounted on the corresponding balance sheet accounts of classes 1, 2 and 3 of the Chart of Accounts of the Ukrainian Banks.

Accounts receivable are recognised as an asset, if there is a probability of obtaining future economic benefits and their amount can be accurately determined. At the initial recognition, the accounts receivable are valued at the actual paid value (the contractual amount). Then, the Bank reviews the accounts receivable for impairment at each reporting date by creating a provision.

Accounts receivable are considered as a non-monetary balance-sheet item, if its closing is expected by non-monetary funds, but using the supporting documents on the assets and services received, and is recorded at the official exchange rate of hryvnia to foreign currencies on the date of recognition (transaction date) or on the date of determination of the fair value and is not revalued at each change in the official exchange rate of hryvnia to foreign currencies.

Accounts receivable are considered as a monetary balance-sheet item, if it is repayable within the established period by monetary funds in a fixed amount or their equivalents, and is recorded at the official exchange rate of hryvnia to foreign currencies on the balance sheet date and is revalued at each change in the official exchange rate of hryvnia to foreign currencies until recognition.

The Bank's units that initiate a transaction that leads to accounts receivable, control the status of this debt, carry out work on its repayment, are responsible for the results of this work and timely implementation of all measures for debt repayment.

Every month, on the first day of the month following the reporting period, the Bank makes inventory of the accounts receivable and creates provisions according to the requirements of internal regulations and procedures developed according to requirements of the International Financial Reporting Standards. Provisions for accounts receivable are recorded on the balance-sheet accounts 1890 "Provisions for accounts receivable under transactions with banks"; 2890 "Provision for accounts receivable under transactions with bank's customers"; 3590 "Provisions for accounts receivable under transactions of the bank", 3599 "Provisions for financial accounts receivable under transactions of the bank".

The heads of the units that record accounts receivable are responsible for the timely and correct reflection of the accounts receivable amounts in the bookkeeping accounts according to the provided primary documents and timely information (by providing service notes) to the heads of units that initiated the accounts receivable occurrence about the delayed terms of fulfilment of obligations specified in the agreements or delayed terms of carrying out transactions, established by the legislation of Ukraine, which are conducted not on the contractual terms.

If a counterparty violates the term of delivery of goods, performance of works, provision of services specified in the agreement, the unit that initiated the debt occurrence should take all necessary measures to repay it.

After the monthly inventory of accounts receivable, the issue on creation of provisions due to failure to pay the accounts receivable is put before the Bank's Credit Committee.

Accounts receivable, for repayment of which all possible measures have been taken, according to submission of the Chief Accountant with participation of the relevant units, is written off of the balance sheet according to the decision of the Management Board of the Bank.

Accounts receivable, the limitation period for which expired or the Bank received a decision to liquidate the debtor (cancellation of the state registration of an entity), are written off of the off-balance accounting based on the decision of the Management Board of the Bank.

Deferred expenses are expenses of the Bank, handled in the reporting period, but which refer to the following periods. These include, for example, expenses related to payment of lease payments, membership fees, insurance of the Bank's property, subscription to newspapers and magazines, periodicals and reference books, etc. All these expenses at their implementation are reflected on the debit of account "Deferred expenses". Account balance can only be debit and will indicate the retained expenses of the subsequent periods.

Items of deferred expenses arising in foreign currency and related to the execution of works or services are non-monetary items, recognised at the official exchange rate of hryvnia to foreign currencies on the settlement date and are not revalued at each change in the official exchange rate of hryvnia to foreign currencies.

Note 4.8. Investments in securities

Securities are documents that correspond to certain requirements and contain legally defined details. The features of securities are their turnover, standard and seriation, marketability, liquidity, regulation and recognition by the state.

Securities certify the right of ownership and determine the relationship between the person issuing 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 the monetary and other rights arising under these documents to other persons.

The rules set out in this section apply to the capital instruments that do not have all features of securities, if the economic nature of transactions is identical to the relevant type of securities.

The Bank records transactions on purchasing of securities and other financial assets related to the capital instruments based on method of accounting by the settlement date.

The accounting of securities in the Bank is carried out according to the current Instruction on accounting of transactions with financial instruments in the Ukrainian banks, the internal

regulations and methods of the Bank developed according to the International Financial Reporting Standards.

Securities owned by the Bank are classified based on the business model used to manage the securities, as well as characteristics of the cash flows provided for by the agreement (or terms of issue) for their valuation and accounting.

Accounting of financial investments and their valuation is carried out for each investment in terms of the issuer/the person who issued the securities.

After the initial recognition, the Bank measured a debt financial asset based on the business model and contractual cash flow characteristics at:

- amortised cost (AC);
- at fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL).

The Bank determines at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The chosen business model should be indicated in the decision of the Bank's body on acquisition of the relevant block of securities.

The Bank reclassifies the debt financial assets only if it has changed its business model for managing those financial assets, except for financial assets accounted for at the Bank's discretion at fair value through profit or loss during the initial recognition.

The Bank measures and accounts for debt securities at the amortised cost, provided that the following conditions are met simultaneously:

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

The Bank recognises debt securities at fair value through other comprehensive income if both of the following requirements are met:

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

The Bank recognises interest income [interest accruals, unwinding of discount/premium] on the debt securities at the effective interest rate during the period from the date of acquisition to derecognition date (sale, assignment of claim, repayment, write-off using the provision), reclassification.

The Bank recognises interest income on the debt securities recorded at fair value through profit or loss in revaluation surplus/deficit. For these securities, interest is not accrued and discount or premium is not unwound.

When purchasing coupon payments securities with interest accrued, the Bank records them in premium/discount accounts, the amount of received coupon reduces the premium amount or increases the discount amount.

Interest income on debt securities (other than securities recorded at fair value through profit or loss) are recognised on the revaluation date and on the balance sheet date, but at least once a month. The unwinding of discount or premium is charged simultaneously with interest.

The Bank unwinds the discount (premium) on the floating-rate financial instrument depending on changes in the market rates or, in case of redemption, to the next interest repricing date.

The Bank records gains or loss at initial recognition in the amount of difference between the fair value and contractual amount in correspondence with the discount/premium account, if the effective interest rate on this instrument is higher or lower than the market one. The difference between the fair value and the contractual amount under transactions with the Bank's shareholders is reflected in the capital in class 5 accounts and is included in parts to the retained profit (loss) during the period of its withholding or as the total amount during release of the securities.

The Bank recognises the ECL allowance for:

- securities at AC;
- securities at FVOCI;
- No allowance is recognised on equity investments.
- The Bank derecognises securities if:
 - the contractual rights to cash flows from the financial asset expire;
 - transfer of a financial asset meets the derecognition criteria under IFRS 9 and other requirements of the law.
 - there is a write-off against the allowance.

Note 4.9. Derivative financial instruments.

A derivative financial instrument is a financial instrument or other contract with the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, foreign exchange rate, or other variable;
- it does not require initial net investments or requires initial net investments that are lower than those that would be required by other types of contracts similarly responding to changes in market condition; and
- it is settled at a future date.

After initial recognition the Bank recognises derivatives at fair value.

All trading derivatives with a positive fair value are recognised as assets. All trading derivatives with a negative fair value are recognised as liabilities. Derivative financial instruments may not be reclassified out of at fair value through profit or loss

The Bank recognises loans issued (deposits placed) and loans received (deposits attracted) on the interbank market by the same counterparty in various currencies in an equivalent amount and the same maturity as transactions with derivative financial instruments.

Financial derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. The Bank does not use hedge accounting.

Note 4.10. Reverse purchase/repurchase contracts.

REPO transactions with the Bank's customers are carried out on the pledge of securities and accounted as granted or received loans.

Securities purchased under a REPO transaction are recorded as a received collateral in the corresponding off-balance-sheet accounts at contractual amount.

Securities sold under a REPO transaction are recorded in a separate analytical account of the corresponding balance-sheet account. At the same time, they are reflected on the corresponding off-balance-sheet account as the collateral pledged.

When carrying out the REPO transactions, the Bank, acting as a purchaser, receives a commission in the form of percentage or in the form of a reverse sale of securities at a higher price than purchased one (with a discount). Therefore, the accounting for interest income under REPO transactions differs in the form of the reward received.

The Bank's expenses for reverse REPO transactions are depreciated during the entire validity of the agreement. In case of indefinite REPO transactions, the amortisation period is determined on a forward-looking basis depending on the expected maturity.

For lending transactions (loans, guarantees granted, etc.) denominated in Ukrainian hryvnia equivalent of a fixed foreign-currency amount as translated at the official exchange rate of the National Bank of Ukraine prevailing at the date the obligations are discharged, the balances are settled and accounted for on accounts of loans granted, guarantees, etc. at the official exchange rate of the National Bank.

When changing the official rate of the National Bank, the amount of revaluation of balances on loans granted is reflected in the balance sheet account 6204 "Result from revaluation of foreign currency and precious metals", on guarantees granted – on the off-balance-sheet account 9900 "Contra accounts for accounts of sections 90-95".

Note 4.11. Investment in associates and subsidiaries.

During the reporting and previous years, the Bank made no investments in associates and subsidiaries.

Note 4.12. Investment property.

During the reporting and previous years, the Bank did not held any investment property.

Note 4.13. Goodwill.

During the reporting and previous years, the Bank did not recognise and account for goodwill.

Note 4.14. Property, plant and equipment.

According to IAS 16, *property, plant and equipment* are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

In determining assets related to property, plant and equipment the Bank is guided by IAS 16 Property, Plant and Equipment, Instruction on accounting of fixed assets and intangible assets of banks of Ukraine, approved by Resolution of the Board of the National Bank of Ukraine No. 480 dated 20 December 2005 (as amended) and internal regulations of the Bank. The unit of account of property and equipment is a separate inventory asset. The Bank sets a value characteristic for assets that are expected to be used during more than one period and are worth over UAH 20000 or more taking into account their useful lives.

Purchased or self-constructed property, plant and equipment are recognised at cost (purchase cost plus cost of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended). Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

At the end of each reporting period (year), the Bank assesses property, plant and equipment for the signs of impairment in accordance with IAS 36 Impairment of Assets. If there is evidence of impairment, the asset's recoverable amount is calculated as the higher of fair value of an asset less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. The carrying amount is reduced to the recoverable amount of the asset and impairment loss is recognised in profit/loss.

At the end of 2021 and 2020, there were no signs of impairment of property, plant and equipment, and depreciation was not calculated.

At the end of each reporting year, during the annual stock-taking, useful lives of property, plant and equipment are reviewed and adjusted, as appropriate. During the reporting year, the useful lives of property, plant and equipment remained unchanged.

The liquidation of property, plant and equipment and other non-current assets is held in the event of economic obsolescence and physical wear and tear. Depreciation charged at 100% of non-current assets does not constitute grounds for writing-off.

Note 4.15. Intangible assets.

According to IAS 38, an *intangible asset* is an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Accounting for intangible assets is maintained in accordance with IAS 38 Intangible Assets, Instruction on accounting of fixed assets and intangible assets of banks of Ukraine, approved by Resolution of the Board of the National Bank of Ukraine No. 480 dated 20 December 2005 (as amended) and internal regulations of the Bank.

Purchased (self-constructed) intangible assets are recognised at cost. The cost of a purchased intangible asset comprises the purchase price net of sales rebates, as well as duties, non-recoverable indirect taxes and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

Subsequent to initial recognition, the intangible assets are carried at cost less accumulated amortisation and impairment losses.

Useful lives of intangible assets range from 1 to 25 years. The Bank has no intangible assets with indefinite useful lives.

At the end of each financial year, during the annual stock-taking, useful lives of intangible assets are reviewed and adjusted, as appropriate. During the reporting and previous years, useful lives of intangible assets remained unchanged.

At the end of each reporting period (year), the Bank assesses intangible assets for the signs of impairment in accordance with IAS 36 Impairment of Assets.

At the end of 2021 and 2020, there were no signs of impairment of intangible assets, impairment was not calculated.

Note 4.16. Operating leases where the Bank acts as a lessor.

In 2021, the Bank acted as a lessor under 5 sublease agreements. Income from these agreements was recognised in the balance sheet account 6395.

Note 4.17. Financial leases where the Bank acts as a lessor.

In 2021, the Bank did not enter into finance leases in which it would act as a lessor.

Note 4.18. Operating leases where the Bank acts as a lessee and/or a lessor

A lease is a contract outlining the terms under which one party agrees to rent property owned by another party for a specified period of time in exchange for a consideration.

A lease is classified as an operating lease when the lessor does not assume substantially all the risks and rewards of ownership. Leasing terms are determined by the leasing arrangement concluded in accordance with the laws of Ukraine.

Lease payments made by the Bank as a lessee under operating lease contracts are recognised in administrative costs. Where an operating lease permits the lessee to make improvements to the underlying asset, such investments made are recognised in non-current tangible assets and amortised over the term of the lease remaining after such investments are made.

Recognition of right-of-use assets for long-term leases.

The Bank accounts for leases in accordance with IFRS 16 Leases, regulations of the NBU and internal documents of the Bank regulating the accounting of property, plant and equipment and intangible assets, except for transactions subject to the following conditions:

- the underlying asset is non-identifiable;
- the underlying asset has a low value (value of the asset is USD 5,000 or less when it is new);
- the lessee has a substantive right or option to substitute the underlying asset;
- the lessee may terminate the lease without paying fees and compensations;
- the Bank receives no economic benefits from the use and/or fully controls the use of the underlying asset;
- the lease term is 12 months or less.

When leases arise in the current reporting period, the Bank applied the same approaches as defined above: recognised the carrying amount of the right-of-use asset in the amount of liability recognised at present value of lease payments increased by advances paid under a lease and the amount of direct incremental costs that the Bank incurred from entering into the lease.

The Bank defines the lease term as the non-cancellable period of a lease plus/minus any periods covered by an option to extend or terminate the lease, if it is reasonable certain that the Bank will exercise that option and extend or terminate the lease. When determining the lease term, the Bank applies judgments underlying its strategy on the purpose of holding certain lease assets, plans and procedures for opening and closing units of the bank, its practices of recording leases and respective historical data. The Bank has limited the accounting for a renewal option to one contractual period or less.

After initial recognition of the leased asset, the Bank accounts for such assets at cost less any accumulated amortisation/depreciation and any accumulated impairment loss. Amortisation of right-of-use assets is charged monthly over the contractual term of the lease.

For assets that are eligible for practical expedient under IFRS 16 and, thus, are not recognised as right-of-use assets, the Bank recognises expenses incurred from lease payments as lease expenses, same as it did under IFRS 17.

Recognition of long-term lease liabilities.

The Bank discounts payments for the right to use the underlying asset over the lease during the lease term using the interest rate implicit in the lease or incremental borrowing rate.

Discount rate used to determine the present value of liabilities is calculated by the Bank on a quarterly basis by reference to performance indicators for the last calendar month of the reporting period in accordance with the term of the lease:

- for leases concluded for 24 months or less – the weighted average cost of the Bank's payment obligations is used as a discount rate (time and on-demand deposits of corporate and retail customers; deposits attracted on the interbank market; savings certificates issued, etc.);
- for leases concluded for 24 months or more – the interest rate on subordinated debt borrowings is determined as the maximum allowable under the Regulation of the NBU No. 592 dated 30 December 2010.

The Bank shall also remeasures the lease liability using an unchanged discount rate when:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a temporary change in fixed lease payments, for example in case of unforeseen events.

Note 4.19. Non-current assets held for sale and disposal groups.

The Bank recognises non-current assets as held-for-sale, if their carrying amount is recoverable from their sale, rather than through continuing use.

Non-current assets are designated as held-for-sale if at the date of their recognition as such the following conditions are met: the asset is available for immediate sale in its present condition

and its sale is highly probable during the year from the date of classification. The period required to complete a sale may last for more than a year if the Bank remains committed to its plan to sell the asset, or if the delay was caused by events or circumstances beyond the Bank's control.

Before the initial classification of the asset as held for sale, the carrying amounts of the asset are measured in accordance with requirements of this clause applicable to this category of assets:

- if non-current assets are carried at cost, the Bank shall review them for impairment;
- if non-current assets are carried at revalued amount (fair value), the Bank shall revalue them.

Non-current assets held for sale are measured and accounted for at the lower of the carrying amount or the fair value less costs to sell.

Non-current assets held for sale are not depreciated.

Assets are transferred to the held-for-sale category in accordance with the decision of the Bank's Management Board at the request of a respective unit that is responsible for the purchase and sale of non-current assets. In this case, a Sales Plan is drawn up, which defines the implementing party, the buyer or measures to determine it, as well as a list of documents (materials), the preparation of which is necessary for the sale. The prepared materials are submitted to the Management Board of the Bank.

In April 2020, by the decision of the Management Board of the Bank, 5 properties (3 buildings and 2 land plots) were classified as non-current assets held for sale and carried at cost.

Note 4.20. Depreciation/amortisation

Depreciation (amortisation) represents a systematic allocation of the depreciable amount of an asset over its useful life.

Property, plant and equipment (intangible assets) are depreciated (amortised) over the period of their useful lives set by the Bank on initial recognition, and are reviewed at each financial year-end during the annual stocktaking and adjusted as appropriate.

Depreciation of property, plant and equipment is calculated using the straight-line method based on their cost, residual value and useful life, for which the annual amount of depreciation is determined by dividing the depreciable amount of an asset by its useful life.

Useful lives of property, plant and equipment are presented as follows:

Buildings and constructions	50 years
Vehicles	7 years
Furniture	5 years
Computer equipment	5 years
Machinery and equipment (other than computer equipment)	5 years
Tools, fixtures and fittings	5 years
Other PP&E	12 years
Improvement of leased space	until the end of the lease term

Depreciation of low-value non-current tangible assets is charged in the first month of an asset's use in the amount of 100% of its value. Useful lives of intangible assets range from 5 to 25 years.

Note 4.21. Discontinued operations

The Bank has no business lines that may be classified as discontinued operations.

Note 4.22. Borrowings

Borrowings include amounts due to customers representing non-derivative financial obligations to corporate (entities) and retail (individuals) customers.

Financial liabilities for borrowings are initially recognised at fair value. The best evidence of fair value at initial recognition is the transaction price. Profit or loss is initially recognised only if there is a difference between the transaction price and fair value, which may be confirmed by the existing current market transactions with the same instruments. Borrowings from customers are subsequently measured at amortised cost.

Interest expenses on borrowings are recognised on an accrual basis using the effective interest method (except for on-demand borrowings).

Note 4.23. Other borrowings.

A separate segment of customers is the international financial organisations with which the Bank plans to develop cooperation on a number of projects concerning financing of separate sectors (in particular, the agricultural) and the economy of Ukraine as a whole. To this end, among the key projects are the Joint Projects of Ukraine and the European Investment Bank “Apex loan project for SMEs and mid-caps” and “Ukraine Agri-food apex loan”, in which the Bank raised funds in the amount of EUR 20 million (EUR 10 million for each of the project above). According to the terms of the Projects, credit funds are directed through Ukrainian commercial banks to support the development of the private sector, small and mid-cap companies, as well as socio-economic infrastructure projects, including energy efficiency projects, climate change mitigation and adaptation. The Projects are implemented by the Ministry of Finance of Ukraine by providing credit funds to selected participating banks for further financing of their clients' credit projects by the designated banks. The EIB loan funds can be directed by the Ministry of Finance towards lending by commercial banks of medium- and long-term investment needs (up to 10 years) and medium-term working capital (from 2 years) of private, including agricultural, sectors of the Ukrainian economy.

Note 4.24. Debt securities issued by the Bank.

During 2021, 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 resilience by increasing the amount of regulatory capital, in 2021 the Bank raised funds on subordinated debt terms in the amount of UAH 160 million for a period of 12 years.

During reporting period the Bank received two permission from the National Bank of Ukraine to include funds raised on the terms of subordinated debt to the Bank's capital, namely, for the above-mentioned UAH 160 million, as well as for USD 2 million raised at the end of 2020.

Note 4.26. Income tax

Current income tax is determined by the tax laws of Ukraine. Income tax expenses in the financial statements comprise current tax and changes in deferred taxes.

Income tax expenses are recognised in net income, except for the amounts relating directly to other comprehensive income and losses.

Deferred tax is calculated using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are calculated according to the tax rates enacted in the period when an asset is realised or a liability is settled, based on legal norms in force at the reporting date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deferred tax assets can be utilised.

During 2021 the income tax rate amounted to 18%.

Since in the reporting year there were no discontinued activities at JSC “BANK ALLIANCE”, the amount of income tax relating to the profit (loss) from such activities was not recognised.

Note 4.27. Authorised capital and share premium.

Ordinary shares are reflected in equity. The Bank did not obtain any share premium. The Bank issued no options, warrants and other financial instruments that give their holder the right to purchase ordinary shares.

Note 4.28. Preference shares

The Bank did not issue preference shares. The Bank did not enter into contingent share agreements.

Note 4.29. Treasury shares

In the reporting and previous years, no treasury shares were purchased from the shareholders.

Note 4.30. Dividends

In the reporting and previous years, the Bank’s dividends have not been accrued and distributed.

Note 4.31. Income and expense recognition

The Bank’s income represents increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from owners. Income includes only gross inflows of economic benefits received or receivable by the Bank for its own account. Amounts received from third parties (such as sales tax, goods and services taxes and value added tax) are not economic benefits flowing to the Bank and do not increase equity. Therefore, they are deducted from income.

Expenses of the Bank represent a decrease in economic benefits during the reporting period in the form of disposal or depreciation (amortisation) of assets, or in the form of origination of liabilities, which reduces the equity (except for decreases in equity as a result of withdrawal or distribution to owners), provided that these expenses are reliably measurable.

The Bank recognises income and expenses on an accrual basis, i.e. income and expense are recognised when they occur, regardless of the date of cash inflows or outflows.

Income (expense) is recognised in the amount of fair value of assets received (paid) or receivable (payable).

Income and expenses are recognised when earned/incurred, provided that:

- it is actual debt on the Bank's assets and liabilities that is being recognised;
- income and expenses can be clearly identified and measured reliably.

Income and expense recognition criteria are applied separately to each transaction and recorded individually for each type of income and expense. Income and expense arising from transactions are regulated by an agreement between its participants or documents effected in accordance with the applicable law of Ukraine.

Costs of purchasing and creating an asset that cannot be recognised as assets are recorded as expenses.

Commission fees that are an integral part of income (expense) of a financial instrument are recognised in interest income (expense) of a financial instrument.

For foreign-currency financial instruments, income and expenses are accrued in the currency of the underlying asset (liability).

Income and expenses (accrued, received, paid) in foreign currency are recognised in the national currency income (expense) accounts at official rates of UAH to foreign currencies at the date of their recognition.

Income and expense, depending on models of accounting for banking transactions set out in internal documents of the Bank, are recognised directly on profit (loss) accounts of the Chart of Accounts of the Ukrainian Banks approved by Regulation of the Management Board of the National Bank of Ukraine No. 89 dated 11 September 2017 as amended (“Chart of Accounts”), or with the use of transit accounts through profit (loss) accounts. Where the Bank has received income from (incurred expenses for) services to be provided (received) in future reporting periods, such income (expense) is not included in the financial profit/loss of the reporting period and is accounted for as assets (liabilities) with a monthly recognition of income and expense attributable to the reporting period.

Operating income and expense are divided into:

- interest income and expense;
- commission income and expenses;
- gains (losses) from trading operations;
- dividend income;
- costs of charging provisions/allowances;
- recovery of assets previously written off;
- other operating income and expenses;
- general administrative costs;
- income tax.

By results of investment activities, the Bank recognises:

- income (expense) from selling (purchasing) PP&E and intangible assets;
- income (expense) from selling (purchasing) investment property;

- income (expense) from selling investments in subsidiaries and associates, etc.

By results of financial operations, the Bank recognises:

- income (expense) on transactions with self-issued debt securities;
- income (expense) on subordinated debt;
- dividends paid during the reporting period;
- income arising from issuing equity instruments, etc.

The Bank recognises the interest income and expenses on interest income and expense items using the effective interest rate method.

The Bank applies nominal interest rate to financial instruments, for which future cash flows cannot be reliably measured (overdraft loans, revolving credit facilities, on-demand deposits) and to which the effective interest rate is not applied.

Discount (premiums) on financial instruments are amortised simultaneously with accrual of interest, other than interest on debt financial instruments at FVTPL, and are recognised in remeasurement to fair value.

When calculating the effective interest rate, the Bank determines the cash flows by considering all the contractual terms of the financial instrument, including all fees and other amounts paid to or received by parties to the contract that are an integral part of the income (expense) of a financial instrument. When it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the Bank uses the contractual cash flows over the contractual term.

Fees that are an integral part of the effective interest rate of a financial instrument include:

- origination fees received by the Bank relating to the creation or acquisition of a financial asset that include: compensation for evaluating the borrower's financial condition, evaluating guarantees, collateral, negotiating the terms of the instrument, preparing and processing documents and closing the transaction, etc.;
- commitment fees received by the Bank to originate a loan (except when these credit related commitments are measured at FVTPL) are recognised as an integral part of income (expense) of the financial instrument if it is probable that the Bank will enter into a lending arrangement. If the commitment expires without the Bank making the loan, the fee is recognised as commission income (expense) on expiry;
- other fees and commissions that form an integral part of income (expenses) of a financial instrument.

Fees that are not an integral part of the effective interest rate:

fees charged for servicing a loan:

- commitment fees to originate a loan (except when commitments are measured at FVTPL), and it is unlikely that a lending arrangement will be entered into;
- loan syndication fees received by the bank that arranges a syndicated loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

The Bank considers the initial ECLs in cash flows in calculating the original credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

If the Bank revises its estimates of payments or receipts (excluding modifications and changes in estimates of ECLs), it shall adjust the gross carrying amount of the financial asset or amortised cost of a financial liability to reflect actual and revised estimated contractual cash flows.

The Bank recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The adjustment is recognised in interest income/ expense in correspondence with discount/premium accounts.

The Bank calculates interest income for financial assets within credit risk grade 1 and grade 2 (there is an impairment allowance for stage 1 and stage 2) by applying the effective interest rate to the gross carrying amount of such assets.

Interest income for financial assets that have become credit impaired (Stage 3) is calculated by applying the effective interest rate to their amortised cost, net of the ECL allowance.

For loans granted under non-revolving credit lines, effective interest rate is calculated for each separate loan (tranche) on initial recognition of the loan (tranche).

Discounts (premiums) on financial instruments are accounted for in the same currency as the related financial instrument.

Interest income and expense are accrued using the following techniques:

- Act/act basis – actual number of days in a month or year;
- Act/360 basis – actual number of days in a month based on a 360-day year;
- 30/360 basis – each month is assumed to be 30 days and each year is assumed to be 360 days.

Decisions to apply a particular method to specific transactions are made by an authorised body of the Bank and are documented in respective agreements between the Bank and its counterparties.

Where necessary, the Bank may apply to certain financial instruments other methods not specified in the list above if they are agreed upon between the parties to the transaction or the terms of issue of these instruments (debt securities, certificates of deposit, treasury bills, etc.).

Interest income / expenses are accrued at least once a month for the full calendar month, unless otherwise stipulated in the agreement. For lending transactions in the national currency, interest is accrued on an act/act basis (for loans with standard repayment terms) and 30/360 basis (for annuitant loans), unless otherwise stipulated in the agreement.

For lending transactions in the foreign currency, interest is accrued on an act/act basis (actual number of days in a month or year), unless otherwise stipulated in the agreement.

For deposit transactions in the national and foreign currencies, interest is accrued on an act/act basis (actual number of days in a month or year), unless otherwise stipulated in the agreement.

In other cases, the method of determining the number of days in a month and year is regulated by the terms of agreements between the parties.

In calculating interest for using the customer's cash under a bank deposit agreement, the Bank does not take into account the day on which the cash is credited to the account and the day on which cash is debited from the account, unless otherwise stipulated in the bank deposit agreement.

When calculating interest on loans, the first day of the loan is taken into account and the last day of the loan is not taken into account.

The amount of interest rates, the terms, the procedure for their accrual and payment are determined by agreements with the Bank's counterparties. Interest rate are set in accordance with decisions of the Asset and Liability Committee or other authorised collegiate body (Credit Committee).

Amounts due on income accrued are considered overdue from the day following the period in which the debt should have been but was not repaid under the contract.

Interest income accrued on the principal overdue is overdue from the date of accrual and is credited to the relevant analytical accounts of the accrued interest income.

Dividends are recognised in the period the decision is made on their payout.

Criteria for ceasing the accrual of income and subsequent accounting.

Income accrual on a financial instrument is ceased when one of the following conditions is met:

- the agreement has expired;
- the cost of loan (principal, interest accrued, unwound premium (discount)), net of impairment recognised, is zero.

Interest accrual on off-balance-sheet accounts ceases when required by applicable law and when the Bank has relevant documents confirming the occurrence of the following events:

- cancellation of contractual obligations due to an entity being liquidated
- for loans and other obligations of entities liquidated without initiating bankruptcy procedures;
- from the day the borrower is recognised bankrupt and a liquidation procedure has commenced (under the Law of Ukraine "On Renewal of the Debtor's Solvency or Declaring its Bankruptcy") – for loans and other obligations of entities;
- from the day the retail (individual) borrower dies (a duly certified death certificate has been provided);
- from the day the NBU decides to revoke a banking licence and appoint a receiver in bankruptcy (under the Law of Ukraine "On Banks and Banking Activities") – for interbank loans;
- from the day of the court's decision to terminate the loan agreement or declare it invalid;
- from the day of the borrower's military service in the territory of anti-terrorist operation until the end of the special period established by the President's decree.

The decision to cease income accrual is made by the Credit Committee of the Bank.

Income and expenses payable or receivable are recognised as forfeits / fines (penalties).

A forfeit/fine (penalty) is a cash amount or other property that the borrower should transfer to the creditor if an obligation was breached by the borrower.

Unless otherwise agreed in the contract, the amount of the fine shall be calculated as a percentage of the amount of defaulted or not properly fulfilled obligation.

Forfeit is calculated as a percentage from of the amount of late fulfilment of an obligation for each day overdue starting from the first date following after the last repayment date under a contract. Unless otherwise agreed in the contract, the amount of the fine shall be paid in the amount of double NBU discount rate of the overdue amount for each day delayed.

The penalty is charged on the outstanding amount not repaid by the counterparty until the borrower fully repays the overdue debt on an act/act basis net of the repayment day. Penalty is lifted in the following cases:

- the contract is terminated by court or is considered invalid (from the date stipulated in the court's ruling), unless otherwise stated by court;
- from the date the economic court passes a decision to recognise that the borrower is bankrupt and initiate the liquidation procedure.

Penalties are also not charged in the following cases:

- when there is supportable information on assigning the borrower a status of a temporarily displaced person (for the period of displacement) in accordance with the applicable law of Ukraine;
- from the date the military service of the borrower in the territory of anti-terrorist operation ends (for the period of military service) in accordance with the applicable law of Ukraine;
- from the date the retail (individual) borrower dies.

Fines and penalties are recognised when paid and are not recorded in income and expense accrued.

In the event of legal claims seeking to collect the payments of principal and interest from the borrower, the Bank adds to the legal claim the fines and penalties accrued as at the date of claim, taking into account the terms of limitation established in contracts and/or other applicable laws.

The Bank, in any event, may refuse to collect a penalty from the borrower if so decided by a relevant authorised management body.

In accounting for income and expenses, the Bank is governed by the laws of Ukraine, regulations of the National Bank of Ukraine, in particular, Rules of Accounting for Income and Expense approved by Regulation of the Management Board of the National Bank of Ukraine No. 17 dated 27 February 2018, IFRSs, this Regulation on Accounting Policy and other internal documents of the Bank regulating the accounting for income and expenses.

Note 4.32. Foreign currency translation

The Bank's functional and presentation currency is Ukrainian hryvnia.

Assets and liabilities denominated in foreign currencies are translated into hryvnia equivalent as follows:

- monetary items denominated in foreign currencies are recognised at the official

Ukrainian hryvnia exchange rate ruling on the reporting date;

- non-monetary items in foreign currencies that are measured at cost are recognised at the official Ukrainian hryvnia exchange rate ruling on the transaction date;
- non-monetary items in foreign currencies that are measured at fair value are stated at the official Ukrainian hryvnia exchange rate at the fair value measurement date.

Foreign exchange differences arising on monetary items are recognised in the statement of comprehensive income (net gain/(loss) from foreign currency translation) in the period when they arise.

If the gain or loss in a non-monetary item is recognised in other comprehensive income, any foreign currency component of that gain or loss is recognised directly in other comprehensive income. Conversely, if the gain or loss in a non-monetary item is recognised in profit or loss, any foreign currency component of that gain or loss is recognised in profit or loss.

Note 4.33. Offset of financial assets and liabilities

Financial assets and financial liabilities are offset in the balance sheet when the Bank has a legally enforceable right to set off the amounts recognised in the balance sheet and intends to settle on a net basis or sell an asset and settle a liability simultaneously.

In the reporting and previous years, the Bank did not offset assets and liabilities.

Note 4.34. Assets under trust

In the reporting and previous years, the Bank did not enter into trust agreements.

Note 4.35. Accounting for the effect of inflation.

In the reporting and previous years, the Bank did not account for the effect of inflation.

Note 4.36. Employee benefits and related charges

The Bank's employees receive a basic salary, extra wage and other incentives and compensation payments.

A basic payroll budget comprises the basic salary of the Bank's employees – remuneration for works performed according to the position salary stipulated in a staffing chart (fixed official salary).

An additional payroll budget comprises extra wages - remuneration for extra works performed, labour accomplishments:

- supplementary benefits and fringes in the amounts stipulated by the law for discharging of duties of a temporarily absent employee;
- for combining of professions (positions) - employees receive salaries for works actually performed (set upon mutual agreement of the parties on the basis of content and/or the amount of extra works);
- bonuses related to performance of professional/industrial tasks and functions paid in line with the established procedure according to the Bank's special bonus systems;
- payment for non-worked time – provision of basic and additional annual leaves;
- cash compensations for unutilised vacations, additional leaves by employees who have children in the amounts prescribed by law.

Other incentive and compensation allowances comprise payments in form of rewards for annual performance, compensation and other tangible benefits not provided by the applicable law or charged in excess of the specified norms. In addition, payments are made at the expense of the State Social Insurance Fund: allowance for temporary disability and maternity leave allowance. Remuneration rates of the Bank's employees are determined under the staffing chart.

Remuneration rates of the Bank's employees are determined under the staffing chart. The payment of fixed official salaries depends on employee monthly performance of working time norm. The actual salary amount is determined in proportion to working hours in the reporting period.

Salary deductions and transfers of retained taxes and contributions to the budget and related funds are made along with the payment of salaries.

Withholding of tax from individuals and military contributions is carried out under the Tax Code of Ukraine of No. 2755 dated 12 February 2010. Withholding of a single fee is carried out in accordance with the Law of Ukraine No. 2464-VI "On Collection and Accounting of the Single fee on Mandatory National Social Insurance" dated 8 July 2010.

All withholdings from salaries, in addition to those established by the applicable law, shall be made upon an employee's written request.

The Bank has charged vacation allowances according to the laws of Ukraine and the Bank's accounting policies in compliance with IAS 19 Employee Benefits and paragraphs 13 and 14 of the Ukrainian Accounting Standard 11. In addition, an allowance has been charged for the amount of single contribution charges for vacation payments.

Note 4.37. Operating segment information

An operating segment is a component of the Bank's business engaged in business activities (from which it may earn revenues and incur expenses), operating results of which are regularly reviewed by the management for decision-making regarding resource allocation within the Bank and performance evaluation.

The principle of selection of the Bank's operating segments lies in the separation of information about the activities that are capable of bringing economic benefits and provide for related costs. Separation of operating segments is based on the management reporting system.

The Bank recognised the following operating segments:

- services to corporate customers - entities of all forms of ownership (other than banks);
- services to individuals;
- transactions with other banks;
- investment banking - securities transactions.

The Bank recognises income directly related to the respective segment and the respective part of the Bank income, which can be related to the respective segment from external activity or from operations between other segments within the Bank as the income of reporting segment. The expenses related to the main activity of the segment that directly related to the respective segment and the respective part of the expenses, which can be reasonably related to the respective segment including expenses from external activity. The segment result is a segment revenue less segment expenses.

Note 4.38. Related party information

In accordance with the requirements of Article 52 of the Law of Ukraine "On Banks and Banking", the Bank's related parties are:

- the Bank's controllers;
- persons having a qualifying holding in the bank, and persons through which indirect ownership of a qualifying holding in the Bank is exercised by such persons;
- the Bank's managers, head of the internal audit service, chairmen, and committee members of the Bank;
- the Bank's congenerous parties and affiliates including banking group participants;
- persons having a qualifying holding in the Bank's congenerous parties and affiliates;
- managers of legal entities and banks' managers who are the Bank's congenerous parties and affiliates, head of the internal audit service, chairmen, and committee members of such persons;
- persons associated with individuals specified in paragraphs 1-6 of this definition;
- legal entities where the individuals mentioned in this part are managers or qualifying shareholders;
- any person through which a transaction is performed in the interests of persons referred to in this part, and which is influenced during any such transaction by persons referred to in this part, through labour, civil, and other relations.

As at 31 December 2021, the number of parties related to the Bank amounted to 225 persons, including 28 legal entities and 197 individuals. Information on management personnel identified as parties related to the Bank is provided in the Management Report of JSC BANK ALLIANCE. Information about related-party transactions is presented in Note 36 "Related-party transactions".

When conducting transactions with related parties, the Bank may not provide for conditions that are not current market conditions. Transactions entered into by the Bank with related parties on terms that are not current market conditions are declared null and void from the date of signing.

Note 4.39. Changes in accounting policies and estimates, correction of significant errors and their presentation in the financial statements

The accounting policies are applied by the Bank to similar items of financial statements consistently. *Changes in the accounting policies* are possible in two cases:

- if required by the new standard;
- changes to the financial statements result in reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Changes in accounting policies are applied retrospectively. Exemption (prospective application) is possible only if it is required by the transitional provisions of a new standard or interpretation. Retrospective application of accounting policies means the application to previous

(comparative) periods of new principles, rules, standards of accounting and disclosures. The application of accounting policies for transactions, other events or conditions that differ in substance from those previously occurred, not occurred previously or were not material is not considered a change in accounting policies.

A change in accounting estimates is a value adjustment of an asset or liability as a result of revision of the expected future benefits or debts. Estimates are subject to review as a result of changing circumstances on which it was based, the receipt of new information. Changes in accounting estimates are introduced prospectively and do not affect the financial statements for prior periods. A change in accounting estimates is recognised by adjusting the carrying amount of an asset or liability with simultaneous disclosure of the result in the statement of comprehensive income for the period.

The Bank corrects **significant errors** of a prior period by means of retrospective restatement. Exception to this rule applies where it is impracticable to determine either the period-specific effects or the cumulative effect of the error (in this case the Bank restates the relevant item of assets, liabilities or equity at the beginning of the earliest period for which retrospective restatement is possible).

During 2021, there were no changes in accounting policies, accounting estimates and identifications of significant errors.

Note 4.40. Significant accounting estimates and assumptions that affect the recognition of assets and liabilities.

During the preparation of the financial statements in accordance with the requirements of IFRS the Bank's Management applies judgments, estimates and assumptions affecting the application of accounting policies, amounts of assets and liabilities, income and expenses recognised in the financial statements and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Estimates and assumptions on which they are based are reviewed regularly. The results of review of accounting estimates are recognised in the period in which they are reviewed and in any future periods affected by such estimates.

Professional judgments and estimates having the most significant effect on the financial statements include:

- impairment of loans granted to borrowers and estimation of expected loan losses;
- impairment losses on other assets and estimation of expected losses.

Significant judgments required when applying the accounting requirements to estimate ECLs include:

- determination of criteria for a significant increase in credit risk;
- selection of appropriate models and assumptions to measure the ECLs;
- determination of the number and relative weights of the forecast scenarios for each type of product / market and relevant ECLs;
- determination of groups of similar financial assets to measure ECLs.

Note 5. New and revised standards issued but not yet effective

In the current year, the Bank applied a number of amendments to IFRS and interpretations issued by the IASB Board, which became effective for the period of the year beginning on or after 01 January 2020.

- Interest Rate Benchmark Reform—Phase 2—Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16;
- Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions.

Their adoption did not have a material effect on the disclosures or on the amounts shown in these financial statements. The Bank has not early applied any other standards, clarifications or amendments that have been issued but are not yet effective.

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

	<i>Effective date</i>
IFRS 17 – Insurance Contracts	1 January 2023
Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023 <i>(postponed from 1 January 2022)</i>
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
<i>Annual Improvements to IFRS Standards 2018–2020</i> Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter Amendments to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities Amendments to IFRS 16 – Illustrative Example Amendments to IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022 <i>(except for the amendment to IFRS 16, which concerns only an illustrative example, so the effective date is not indicated)</i>
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management anticipates that their adoption in future periods will not have a material effect on the consolidated financial statements of the Bank in future periods.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Cash	521 482	446 174
Balances with the National Bank of Ukraine (excluding mandatory reserves)	58 545	52 768
Cash at correspondent accounts with banks:	590 326	72 269
<i>domestic banks</i>	572 868	70 974
<i>foreign banks</i>	17 458	1 295
Total cash and cash equivalents, net of provisions	1 170 353	571 211
Provision for impairment of cash at correspondent accounts with Ukrainian banks	(9 061)	(1 210)
Total cash and cash equivalents, net of provisions	1 161 292	570 001

As at the end of 2021 and 2020, cash and cash equivalents comprised cash on hand and funds at correspondent accounts with other banks (including the correspondent account with the National Bank of Ukraine). During 2021 and 2020, the Bank had no non-cash investment and financial transactions.

The information of Note 6 is disclosed in the statement of financial position (balance sheet), the statement of cash flows and in Note 23.

Note 7. Loans and advances to banks

Table 7.1. Loans and advances to banks at AC

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Loans to other banks	-	-
Deposits in other banks:	17 957	70 832
short-term	17 957	-
long-term	-	70 832
Total loans and advances to banks	17 957	70 832
Provision for loans and advances to banks	(575)	(2 267)
Total loans and advances to banks, net of provisions	17 382	68 565

Information of Note 7 is disclosed in the statement of financial position (balance sheet), the statement of cash flows and in Note 23.

Table 7.2. Loan impairment provisions subject to 3-staged impairment model as at 31 December 2021

<i>In thousands of UAH</i>	Stage 1	Stage 2	Stage 3
Provision for loans and advances to banks	-	575	-
Total	-	575	-

Table 7.3. Loan impairment provisions subject to 3-staged impairment model as at 31 December 2020

<i>In thousands of UAH</i>	Stage 1	Stage 2	Stage 3
Provision for loans and advances to banks	-	2 267	-
Total	-	2 267	-

Note 8. Loans and advances to customers

Table 8.1. Loans and advances to customers

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Corporate loans for current operations	4 186 268	3 167 932
Rights of recourse acquired under factoring transactions	45 850	30 909
Mortgage loans issued to economic entities	6 166	730
Retail consumer loans	12 945	22 516
Retail mortgage loans	70 229	9 992
Retail mortgage loans	4 321 458	3 232 079
Provision for loan impairment	(456 070)	(267 959)
Total loans less provisions	3 865 388	2 964 120

The information of Note 8 is disclosed in the statement of financial position (balance sheet), the statement of cash flows and in Note 23.

The final amount of Note 8 Loans and Advances to customers as at 1 January 2022 is net of guarantee coverage in the amount of UAH 43 704 thousand, including allowance of UAH 2 164 thousand (2020: UAH 45 996 thousand, including allowance of UAH 1 335 thousand).

Table 8.2. Analysis of changes in provisions for loan impairment for 2021

<i>In thousands of UAH</i>	Corporate loans	Retail loans	Total
Balance as at 31 December 2020	(260 270)	(7 689)	(267 959)
(Increase)/decrease in provision for impairment during the period	(233 181)	(22 951)	(256 132)
Loans written off against provision	66 773	1 248	68 021
Balance as at 31 December 2021	(426 678)	(29 392)	(456 070)

Table 8.3. Analysis of changes in provisions for loan impairment for 2020

<i>In thousands of UAH</i>	Corporate loans	Retail loans	Total
Balance as at 31 December 2019	(116 954)	(3 593)	(120 547)
(Increase)/decrease in provision for impairment during the period	(143 954)	(4 096)	(148 050)
Loans written off against provision	638	-	638
Balance as at 31 December 2020	(260 270)	(7 689)	(267 959)

Table 8.4. Loan structure by types of economic activity

(UAH '000)

Economic activity	31.12.2021		31.12.2020	
	Amount	%	Amount	%
Wholesale trade, except of motor vehicles and motorcycles	1 938 510	44.86	1 300 116	40.23
Agriculture	698 341	16.16	524 623	16.23
Electricity, gas, steam and air-conditioning supply	481 918	11.15	550 350	17.03
Warehousing and supporting activities in the transport sector	153 713	3.56	458	0.01
Food production	132 383	3.06	7 119	0.22
Production of machinery and equipment	113 087	2.62	32 201	1.00
Construction of buildings, special construction works	112 226	2.60	123 205	3.81
Mining and quarrying	93 167	2.16	33 773	1.05
Provision of financial services	87 295	2.02	114 346	3.54
Health care	75 794	1.75	18 875	0.58
Rent and leasing	58 236	1.35	22 752	0.70
Production of finished metal products, other than machinery and equipment	50 472	1.17	42 751	1.32
Manufacture of wearing apparel	31 401	0.73	29 758	0.92
Retail trade, other than trade of motor vehicles	30 356	0.70	17 846	0.55
Manufacture of rubber and plastic products	28 198	0.65	16 139	0.50
Air transport	-	-	113 476	3.51
Other	153 187	3.54	251 783	7.79
Individuals	83 174	1.92	32 508	1.01
Total loans and advances to customers, net of provisions	4 321 458	100.00	3 232 079	100.00

The Bank minimises a concentration risk in the loan portfolio (concentration of credit transactions in a particular industry or group of related industries or lending to certain categories of customers) through diversification of the loan portfolio, which lies in the distribution of loans among borrowers who differ from each other both by characteristics (volumes of capital, forms of ownership) and by business environments (economic sector, geographic region).

Table 8.5. Information on loans by types of collateral for 2021

<i>In thousands of UAH</i>	Corporate loans	Retail loans	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</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 advances to customers, net of provisions	4 238 284	83 174	4 321 458

Table 8.6. Information on loans by types of collateral for 2020

<i>In thousands of UAH</i>	Corporate loans	Retail loans	Total
Unsecured loans	1 258 508	8 810	1 267 318
Loans secured by:	1 941 063	23 698	1 964 761
Cash	139 137	-	139 137
Real estate	543 572	18 966	562 538
<i>including residential</i>	<i>35 781</i>	<i>12 739</i>	<i>48 520</i>
guarantees and sureties	143 517	614	144 131
Other assets	1 114 837	4 118	1 118 955
Total loans and advances to customers, net of provisions	3 199 571	32 508	3 232 079

The Bank defines market value of a collateral in the form of mortgage of real estate, vehicles, integral property complexes, equipment, biological assets, property rights to real estate, products, commodities, future harvest, offspring of animals based on the assessment of such property conducted by an appraiser (at least once a year). In accordance with the internal regulations, the market value of collateral in the form of cash deposits is taken as their nominal value; for securities - market value determined by securities departments as current fair value of securities included into the stock register of securities traded on stock exchanges. The Bank determines the value of a collateral up to the conclusion of a credit agreement. Where significant changes have occurred in operating and physical condition of collateralised property and/or in market conditions since the date of the last assessment, the Bank reassesses such property, regardless of terms and conditions of loan and/or collateral agreement.

The Bank determines the expected cash flows from the sale of collateral considering future cash flows, which consist of the amount of expected payments from the sale of a collateral in accordance with the relevant contract (regardless of probability of foreclosure on such collateral), taking into account the time required to realise the collateral.

The Bank estimates future cash flows under the contract as stipulated by the relevant internal regulations, developed in compliance with International Financial Reporting Standards. The estimated future cash flows from the sale of a collateral are reduced by the cost to sell.

The total amount of undiscounted future cash flows, including cash flows from the sale of a collateral, may not exceed the amount of payments stipulated in a credit agreement.

Future cash flows from a collateral are discounted given the time required by the Bank for the sale of collateral.

Table 8.7. Analysis of credit quality for 2021

<i>In thousands of UAH</i>	Corporate loans	Retail loans	Total
Not overdue and not impaired:	3 943 529	35 746	3 979 275
borrowers with credit history of more than 2 years	988 533	-	988 533
borrowers with credit history of less than 2 years	2 954 996	-	2 954 996
Overdue but not impaired:	27 882	1 317	29 199
overdue up to 31 days	22 188	35	22 223
overdue from 32 to 92 days	5 694	1 282	6 976
Loan impairment assessed on an individual basis:	266 873	46 111	312 984
overdue up to 31 days	68 451	41 397	109 848
overdue from 32 to 92 days	136 568	337	136 905
overdue from 93 to 183 days	48 706	-	48 706
overdue 184 - 365 (366) days	3 317	-	3 317
overdue more than 366 (367) days	9 831	4 377	14 208
Total loans, gross of provision charges	4 238 284	83 174	4 321 458
Provision for loan impairment	(426 679)	(29 391)	(456 070)
Total loans less provisions	3 811 605	53 783	3 865 388

Table 8.8. Analysis of credit quality for 2020

<i>In thousands of UAH</i>	Corporate loans	Retail loans	Total
Not overdue and not impaired:	3 119 935	27 099	3 147 034
borrowers with credit history of more than 2 years	708 235	-	708 235
borrowers with credit history of less than 2 years	2 411 700	-	2 411 700
Overdue but not impaired:	62 655	22	62 677

overdue up to 31 days	44 838	19	44 857
overdue from 32 to 92 days	17 817	3	17 820
Loan impairment assessed on an individual basis:	16 981	5 387	22 368
overdue up to 31 days	460	241	701
overdue from 93 to 183 days	5 709	12	5 721
overdue 184 - 365 (366) days	3 529	3 787	7 316
overdue more than 366 (367) days	7 283	1 347	8 630
Total loans, gross of provision charges	3 199 571	32 508	3 232 079
Provision for loan impairment	(260 271)	(7 688)	(267 959)
Total loans less provisions	2 939 300	24 820	2 964 120

Table 8.9. Loans and loans impairment provisions subject to 3-staged impairment model as at 31 December 2021

<i>In thousands of UAH</i>	Stage 1	Stage 2	Stage 3
Loans	2 062 890	1 955 095	303 473
Provisions for loan impairment	(37 877)	(186 125)	(232 068)
Total loans less provisions	2 025 013	1 768 970	71 405

Table 8.10. Loans and loans impairment provisions subject to 3-staged impairment model as at 31 December 2020

<i>In thousands of UAH</i>	Stage 1	Stage 2	Stage 3
Loans	1 548 223	1 661 487	22 369
Provisions for loan impairment	(38 184)	(209 672)	(20 103)
Total loans less provisions	1 510 039	1 451 815	2 266

Note 9. Investments in securities

Table 9.1. Securities held at amortised cost

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Debt securities – corporate bonds	27 348	27 348
Deposits certificates issued by NBU	1 630 357	970 132
Provision for impairment of securities	(27 348)	(27 348)
Total securities, net of provisions	1 630 357	970 132

Table 9.2. Securities held at fair value through profit or loss

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Domestic Government Loan Bonds – Ministry of Finance of Ukraine	4 533 088	2 559 208
Provision for impairment of securities	-	-
Total securities, net of provisions	4 533 088	2 559 208

Table 9.3. Analysis of credit quality of securities

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Impaired debt securities estimated on an individual basis	27 348	27 348
Provision for impairment of securities	(27 348)	(27 348)
Total impaired debt securities, net of provisions	-	-

Table 9.4. Provisions for impairment of debt securities subject to 3-staged impairment model as at 31 December 2021

<i>In thousands of UAH</i>	Stage 1 impairment model	Stage 2 impairment model	Stage 3 impairment model
Debt securities	-	-	27 348
Provisions for debt securities	-	-	(27 348)
Total	-	-	-

Table 9.5. Provisions for impairment of debt securities subject to 3-staged impairment model as at 31 December 2020

<i>In thousands of UAH</i>	Stage 1 impairment model	Stage 2 impairment model	Stage 3 impairment model
Debt securities	-	-	27 348
Provisions for debt securities	-	-	(27 348)
Total	-	-	-

During reporting year 2021 and previous year 2020, debt securities accounts (the Bank's portfolio of securities held at amortised cost) comprised discount registered bonds (A series) of LLC "NAVIUM" in the amount of 2,486,188 bonds with the par value of UAH 11.00 per bond. The Bank recognised 100% impairment for these securities.

During the reporting period, the Bank accounted OVDP at fair value through profit or loss. The book value of OVDP as of 31 December 2021 was UAH 4,533,088 thousand. The Bank received interest payments on the specified securities.

As of 31 December 2021, the value of securities that are collateral for refinancing loans of the National Bank of Ukraine amounted to UAH 2,829,980 thousand (2020: UAH 0 thousand).

Information of Note 9 is disclosed in the statement of financial position (balance sheet), statement of cash flows and in Note 23.

Note 10. Property, plant and equipment and intangible assets

Table 10.1. Property, plant and equipment and intangible assets for the year ended 31 December 2021

(UAH '000)

Line	Item	Machinery and equipment	Vehicles	Tools, fixtures and fittings (furniture)	Other PP&E	Leased property improvements	In-progress capital investments in PP&E and intangible assets	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10
1	Opening carrying amount as at 1 January 2021	16 112	3 853	457	1 920	1 571	111	13 796	37 820
1.1	<i>initial (revalued) cost</i>	28 170	6 654	935	7 550	4 498	111	21 520	69 438
1.2	<i>opening depreciation</i>	(12 058)	(2 801)	(478)	(5 630)	(2 927)	-	(7 724)	(31 618)
2	Additions	16 475	-	592	8 526	22 868	52 978	4 504	105 943
3	Disposals	-	(158)	(1)	-	-	(52 967)	-	(53 126)
3.1	<i>initial (revalued) cost</i>	-	(428)	(8)	(9)	(588)	(52 967)	-	(54 000)
3.2	<i>Depreciation</i>	-	270	7	9	588	-	-	874
4	Depreciation/amortisation charge	(5 782)	(842)	(206)	(7 893)	(4 659)	-	(3 016)	(22 398)
5	Closing carrying amount as at 31 December 2021	26 805	2 853	842	2 553	19 780	122	15 284	68 239
5.1	<i>initial (revalued) cost</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)

As for the property, plant and equipment restricted in ownership, use and disposal, within the reporting period the Bank had on its books the following leased items:

- motor vehicle Renault DUSTER 1.5D 4x2 Zen AGB 2019 – under a finance lease agreement No. FL108-03/19 dated 7 March 2019 with Personalnyi Ukraïnskyi Lizyng LLC (Personal Ukrainian Leasing LLC).
- The Bank does not have any property, plant and equipment and intangible assets pledged as collateral. In the reporting period, intangible assets have not been generated by the Bank. There are no intangible assets whose title is restricted.

The cost of fully depreciated property, plant and equipment amounted to UAH 9 133 thousand (31 December 2020: UAH 1 077 thousand).

During 2021 and 2020 no property, plant and equipment or intangible assets were revalued by the Bank.

Information of Note 10 is disclosed in statement of financial position (balance sheet), the statement of cash flows and in Note 23.

Table 10.2. Property, plant and equipment and intangible assets for the year ended 31 December 2020

(UAH '000)

Line	Item	Machinery and equipment	Vehicles	Tools, fixtures and fittings (furniture)	Other PP&E	Leased property improvements	In-progress capital investments in PP&E and intangible assets	Intangible assets	Total
1	2	3	4	5	6	8	9	10	11
1	Opening carrying amount as at 1 January 2020	17 902	4 746	604	1 790	1 824	465	9 828	37 159
1.1	<i>initial (revalued) cost</i>	24 986	6 654	914	6 072	3 671	465	15 143	57 905
1.2	<i>opening depreciation</i>	(7 084)	(1 908)	(310)	(4 282)	(1 847)	-	(5 315)	(20 746)
2	Additions	4 223	-	29	1 938	905	13 118	6 377	26 590
3	Disposals	(36)	-	-	(44)	-	(13 472)	-	(13 552)
3.1	<i>initial (revalued) cost</i>	(1 039)	-	(8)	(460)	(78)	(13 472)	-	(15 057)
3.2	<i>Depreciation</i>	1 003	-	8	416	78	-	-	1 505
4	Depreciation/amortisation charge	(5 977)	(893)	(176)	(1 764)	(1 158)	-	(2 409)	(12 377)
5	Closing carrying amount as at 31 December 2020	16 112	3 853	457	1 920	1 571	111	13 796	37 820
5.1	<i>initial (revalued) cost</i>	28 170	6 654	935	7 550	4 498	111	21 520	69 438
5.2	<i>depreciation</i>	(12 058)	(2 801)	(478)	(5 630)	(2 927)	-	(7 724)	(31 618)

Note 11. Right-of-use assets

Table 11.1. Right-of-use assets

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Carrying amount at 1 January	25 638	31 899
Additions and modifications	70 241	10 583
Amortisation and depreciation charges	(32 442)	(16 844)
Total right-of-use assets at the end of the reporting period	63 437	25 638

Information of Note 11 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Note 12. Non-current assets held for sale and disposal groups

Table 12.1. Non-current assets held for sale and disposal groups

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Non-residential real estate	49 674	49 674
Land	17 865	17 865
Total non-current assets held for sale and disposal groups	67 539	67 539

As at 31 December 2020, the Bank accounts for non-current assets held for sale as collateral transferred to the Bank's books as repayment of debt under the loan, namely: sanatorium buildings and land plots. When accepted on the balance sheet, the Bank evaluated them and recorded them in the accounting records at the lowest value. Recognition of impairment of assets and corresponding income (or expenses) The Bank plans to derecognize these assets (sale) on the date of termination.

The Bank, in accordance with the requirements of the Resolution of the National Bank of Ukraine No. 97 dated 18 July 2019 “On Approval of the Regulation on the Organisation of the Distressed Asset Management in the Banks of Ukraine”, in order to effectively organise the management of property held for sale, appointed a responsible unit to manage the foreclosed property (held-for-sale property).

Furthermore, the Management Board of the Bank has approved the plan to sell the held-for-sale property developed by the WORKING GROUP FOR THE DISTRESSED ASSET MANAGEMENT OF JSC BANK ALLIANCE. Taking into account the presence of increased demand from investors in connection with mass vaccination against COVID-19, the development of the trend of domestic tourism in the conditions of Martial Law and the impossibility of family trips abroad, taking into account the attractive geolocation of the region in which the object is located, as well as the value of similar properties in the region, the potential sale value is expected to significantly exceed the book value, despite the legal proceedings on the property that started at the end of the reporting period and are contested by the Bank. A legal dispute may affect the terms of the object's sale. Taking into account the low quality of the claim documents, the Bank has every legitimate reason to expect the court to cancel the real estate seizure as soon as possible.

As at 31 December 2021, the Bank has no assets for disposal and liabilities belonging to disposal groups.

During 2021, the Bank had no sold assets and liabilities of the disposal groups and amounts received from their sale.

During 2021, the Bank was not in the process of winding up.

Information of Note 12 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Table 12.2. Non-current assets held for sale

No.	Current information about real estate	
1. Building - dormitory block of the sanatorium "Geneva"		
1.1.	Address	63 Sukhovolia Street, Truskavets, Lviv Region
1.2.	Total area	2,451.8 m ²
1.3.	Valuation	Valuation report dated 25 March 2020 by LLC Ekspertna Kompaniya PROFESIONAL
1.4.	Valuation amount under the report (UAH '000)	7 665
1.5.	Carrying amount of the asset (UAH '000)	7 665
2. Hotel-type building, block no. 4 (letter "A", no. 7)		
2.1.	Address	65 Sukhovolia Street, Truskavets, Lviv Region
2.2.	Total area	6,208.2 m ²
2.3.	Valuation	Valuation report dated 25 March 2020 by LLC Ekspertna Kompaniya PROFESIONAL
2.4.	Valuation amount under the report (UAH '000)	19 409
2.5.	Carrying amount of the asset (UAH '000)	19 409
3. Building – non-residential building “SPA-Wellness”, centre with swimming pools, letter “B”		
3.1.	Address	63 B Sukhovolia Street, Truskavets, Lviv Region
3.2.	Total area	7,228.6 m ²
3.3.	Valuation	Valuation report dated 25 March 2020 by LLC Ekspertna Kompaniya PROFESIONAL
3.4.	Valuation amount under the report (UAH '000)	22 600
3.5.	Carrying amount of the asset (UAH '000)	22 600
4. Land for construction and maintenance of sanatoriums		
4.1.	Address	63 Sukhovolia Street, Truskavets, Lviv Region
4.2.	Total area	0.0934 ha
4.3.	Valuation	Valuation report dated 25 March 2020 by LLC Ekspertna Kompaniya PROFESIONAL
4.4.	Valuation amount under the report (UAH '000)	1 167
4.5.	Carrying amount of the asset (UAH '000)	1 167
5. Land for construction and maintenance of sanatoriums		
5.1.	Address	65 Sukhovolia Street, Truskavets, Lviv Region

5.2	Total area	2.1472 ha
5.3	Valuation	Valuation report dated 25 March 2020 by LLC Ekspertna Kompaniya PROFESIONAL
5.4	Valuation amount under the report (UAH '000)	16 698
5.5.	Carrying amount of the asset (UAH '000)	16 698

Note 13. Other assets

Table 13.1. Other assets

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
<i>Other financial assets</i>		
Accounts receivable for transactions with financial instruments	12 987	4 209
Fees for guarantees granted, accrued but not received	7 390	19 537
Accounts receivable from transactions with clients of the bank	6 723	1 477
Revaluation surplus under spot contracts at FX market	3 651	685
Settlement of accounts within international payment systems	1 970	558
Funds placed with other banks as a security	111	3 495
Income from cash management services, accrued but not received	96	73
Other financial assets	-	25
Provision for impairment of other financial assets	(19 694)	(5 190)
Total other financial assets	13 234	24 869
<i>Other non-financial assets</i>		
Deferred expenses	12 658	13 724
Trade accounts receivable	8 078	8 175
Precious metals at the bank outlet	2 338	877
Other non-financial assets	142	88
Provision for impairment of other non-financial assets	(6 673)	(6 996)
Total other non-financial assets	16 543	15 868
Total other assets	29 777	40 737

During the reporting and previous years, the Bank did not enter into finance lease contracts, where the Bank acted as a lessor.

Information of Note 13 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Table 13.2. Analysis of changes in provision for impairment of other assets

<i>In thousands of UAH</i>	Trade accounts receivable	Provisions for funds pledged as collateral with other banks	Accounts receivable on transactions with bank customers	Accrued income provisions	Total
Balance as at 31 December 2019	(2 388)	(95)	(52)	(2 142)	(4 677)
(Increase)/ decrease of provision	(2 752)	45	52	(4 854)	(7 509)
Balance as at 31 December 2020	(5 140)	(50)	-	(6 996)	(12 186)
(Increase)/ decrease of provision	(13 570)	48	(985)	323	(14 184)
Assets written off against provision	3	-	-	-	3
Balance as at 31 December 2021	(18 707)	(2)	(985)	(6 673)	(26 367)

Note 14. Due to banks

Table 14.1. Due to banks

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Correspondent accounts	58	56 593
Loans received from the National Bank of Ukraine through refinancing	2 100 000	1 000 000
Total amounts due to banks	2 100 058	1 056 593

During the reporting and previous periods, the Bank has not failed to fulfil its obligations relating to principal amount and interest.

As at 31 December 2021 the value of securities that are collateral for loans received from the National Bank of Ukraine through refinancing amounted to UAH 2 829 980 thousands (31 December 2020: UAH 0 thousands).

Information of Note 14 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Note 15. Due to customers

Table 15.1. Due to customers

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Entities:	5 923 356	3 601 621
current accounts	4 213 006	2 323 371
term deposits	1 710 350	1 278 250
Individuals:	1 773 955	1 579 845
current accounts	304 339	277 766
term deposits	1 469 616	1 302 079
Total amounts due to customers	7 697 311	5 181 466

Information of Note 15 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Table 15.2. Breakdown of amounts due to customers by types of economic activity

Economic activity (UAH '000)	31.12.2021		31.12.2020	
	amount	%	Amount	%
Individuals	1 773 955	23.05	1 579 845	30.49
Wholesale and retail trade, except for motor vehicles	1 723 416	22.39	1 035 344	19.98
Electricity, gas, steam and air-conditioning supply	1 083 314	14.07	400 181	7.73
Financial service activities, other than insurance and pension funding	453 281	5.89	179 927	3.47
Building, construction works	363 958	4.73	131 381	2.54
Manufacturing of machinery and equipment and other motor vehicles	292 804	3.80	653 585	12.61
Manufacture of basic metals	207 431	2.69	182 485	3.52
Agriculture	136 777	1.78	32 701	0.63
Mining and quarrying	135 355	1.76	180 226	3.48
Warehousing and support activities for transportation	133 785	1.74	70 538	1.36
Insurance, reinsurance and non-governmental pension provision	118 450	1.54	57 617	1.11
Real estate activities	75 312	0.98	17 136	0.33
Land transport and transport via pipelines	74 298	0.97	37 881	0.73
Architecture and engineering	71 615	0.93	16 700	0.32
Manufacture of wearing apparel	55 986	0.73	50 773	0.98
Production of other vehicles	54 569	0.71	1 073	0.02
Travel agency activities	44 854	0.58	21 799	0.42
Activities of the main offices (head offices)	39 506	0.51	26 586	0.52
Production of chemicals and chemical products	35 288	0.46	13 399	0.26
Providers of information services	27 270	0.35	4 747	0.09
Ancillary activities in the spheres of financial services and insurance	25 181	0.33	-	-
Air transport	21 574	0.28	152 456	2.94
Other	749 332	9.73	335 086	6.47
Total amounts due to customers	7 697 311	100	5 181 466	100

At the end of the reporting year 2021, amounts due to customers collateralised under lending transactions and guarantees issued was UAH 525 059 thousand (2020: UAH 148 506 thousand).

Note 16. Derivative financial liabilities

Table 16.1. Financial liabilities at fair value through profit or loss

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Liabilities under currency swap contract	333	279
Liabilities under forward contracts	-	1 515
Total financial liabilities at FVTPL	333	1 794

Information of Note 16 is disclosed in the statement of financial position (balance sheet) and Note 23.

Note 17. Provisions for liabilities

Table 17.1. Changes in provisions for loan commitments

<i>In thousands of UAH</i>	Provisions for loan commitments	
	2021	2020
Opening balance	18 356	6 679
Accrual and/or (use) of provision	1 032	11 677
Closing balance	19 388	18 356

Information of Note 17 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Table 17.2. Provisions for other liabilities

As of 31 December 2021, the obligation to provide compensation for damages that may be caused to KNEDP users of electronic trust services as a result of improper performance of their duties amounted to UAH 6,500,000.

Table 17.3. Provisions for liabilities subject to 3-staged impairment model as at 31 December 2021

<i>In thousands of UAH</i>	Stage 1	Stage 2	Stage 3
Provisions for issued guarantees	-	16 272	3 086
Provisions for letter of credit	-	30	-
Total	-	16 302	3 086

Table 17.4. Provisions for liabilities subject to 3-staged impairment model as at 31 December 2020

<i>In thousands of UAH</i>	Stage 1	Stage 2	Stage 3
Provisions for issued guarantees	-	18 301	55
Provisions for letter of credit	-	-	-
Total	-	18 301	55

The Bank applies the same risk management procedures for loan commitments as for the recognised credit operations. The maximum potential credit risk for loan commitments equals to the total liabilities. Considering the availability of a collateral and the fact that such commitments (excluding guarantees) are revocable, the management believes that the potential credit risk and potential liquidity risk are actually non-existent during these operations. In the reporting and previous years, a provision is formed as a collateral for guarantees.

Note 18. Lease liabilities

Table 18.1. Lease liabilities

The closing carrying amount of liabilities is the opening amount of recognised liabilities plus new lease liabilities and expenses accrued minus lease payments made.

The following are the carrying amounts of lease liabilities and their movement for the reporting year:

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Opening balance	27 036	31 603
Inflow of lease liabilities	78 080	15 483
Outflow of lease liabilities	(8 963)	(4 970)
Accrued interest	4 623	4 220
Rental payments	(34 552)	(19 300)
Closing balance	66 224	27 036

Future minimum lease payments and present value of net minimum lease payments as at the reporting date were as follows:

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Lease payments payable:		
Within 1 year	35 448	19 982
1 to 5 years	37 618	9 597
Total lease payments	73 066	29 579

Following amounts of expenses included in the statement of profit or loss:

- amortisation of right-of-use assets is charged monthly over the contractual term of the lease.
- lease payments made by the Bank as a lessee under operating lease contracts are recognised in administrative costs.

The Bank charges interest expense on lease liabilities on a monthly basis

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Depreciation charge of right-of-use assets	(32 441)	(16 844)
Included in administrative costs:		
Short-term lease expenses that do not meet the recognition criteria under IFRS 16	(1 950)	(2 236)
Included in finance costs:		
Interest expenses on lease liabilities	(4 623)	(4 356)
Total amounts included in the statement of profit or loss	(39 014)	(23 436)

Information of Note 18 is disclosed in Note 23, 25 Interest Income and Expense and in Note 28 Administrative and Other Operating Expenses.

Note 19. Subordinated debt

As at 31 December 2021, the Bank has entered into 4 agreements to raise funds on subordinated debt terms:

- with an entity that is a resident of Ukraine in the amount of UAH 26,500 thousand, with an interest rate of 7% and maturity in April 2030 and in the amount of UAH 30,000 thousand, with an interest rate of 6% and maturity in August 2030 and in the amount of UAH 160,000 thousand with an interest rate of 7% and maturity in November 2033;

- with a non-resident individual in the amount of USD 2,000 thousand with an interest rate of 6% and maturity in October 2025.

As at 31 December 2021, the carrying amount of borrowed funds is UAH 272,317 thousand (31 December 2020: UAH 113,583 thousand).

By Decisions of the Committee on Supervision and Regulation of the Banks' Activities, Supervision (Oversight) of Payment Systems of the Bank, permits were granted under two agreements with a resident entity to account for borrowed funds on subordinated debt terms to the Bank's capital.

Information of Note 19 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Note 20. Other borrowings

The European Investment Bank ("EIB") and Ukraine represented by the Ministry of Finance of Ukraine, which acts jointly with JSC Ukreximbank, have concluded a Finance Agreement "Apex loan project for SMEs and mid-caps" №FI No. 82.844 Serapis №2013-0283 dated 24 December 2014, ratified by the Parliament of Ukraine (Law of Ukraine No. 601-VIII dated 15 July 2015), whereby the EIB has granted to Ukraine a loan in the amount of EUR 400,000,000.00 (four hundred million euros). The purpose of the loan is to finance a portfolio of Subprojects, each of which is implemented in Ukraine by small and medium enterprises, mid-cap companies and "Eligible Enterprises". On 23 July 2020, the Bank signed 2 agreements on attracting funds from the European Investment Bank as part of the joint projects between the EIB and Ukraine:

- «Ukraine Agri-food apex loan» - as at 31 December 2021 the carrying amount of the funds raised amounted to UAH 53 828 thousand;

- «Apex loan project for SMEs and mid-caps» - as at 31 December 2021 the carrying amount of the funds raised amounted to UAH 230 136 thousand.

The agreements are trilateral, and the parties are JSC BANK ALLIANCE, Ministry of Finance of Ukraine and JSC Ukreximbank.

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, while at least 50 percent of loan proceeds are intended for small and medium-sized enterprises in the agricultural sector. The IFC investment includes a USD 5 million loan from IFC's own account and another EUR 5 million mobilized from the 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 at 31 December 2021, the funds under the agreement with IFC Bank have not yet been received.

The bank also actively interacts with a number of other international partners, in particular, since 2019, it has been closely cooperating with Bank Pekao S.A., Poland (the total volume of transactions was about 1.0 million euros) on confirmed trade financing instruments, and also has an open trade financing limit from export credit agency KUKI, Poland (in the amount of EUR 3.0 million).

Information of Note 20 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Note 21. Other liabilities

Table 21.1. Other liabilities

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
<i>Financial liabilities</i>		
Accounts payable on trade with foreign currency at the expense of the bank	32 740	22 113
Accounts payable on transactions with banks	16 764	16 370
Accounts payable by customer transfers	10 925	1 242
Other accrued expenses	1 895	3 254
Accounts payable on funds received as a security payment	1 102	3 461
Payments received in favour of customers	1 037	1 316
Accounts payable on trade with foreign currency for customers of the bank	-	244 684
Liabilities of the bank on e-cash issued	-	12 000
Other financial liabilities	342	580
Total financial liabilities	64 805	305 020
<i>Non-financial liabilities</i>		
Accounts payable for settlements with bank employees	15 004	10 822
Accounts payable for taxes and mandatory payments	3 440	3 264
Deferred income	1 796	971
Other non-financial liabilities	148	271
Total non-financial liabilities	20 388	15 328
Total other liabilities	85 193	320 348

Information of Note 21 is disclosed in the statement of financial position (balance sheet) and in Note 23.

Note 22. Authorised capital and share premium

Table 22.1. Authorised capital

<i>In thousands of UAH</i>	Number of outstanding shares (in thousands)	Ordinary shares	Total
<i>Balance as at 31 December 2019</i>	16 000	365 120	365 120
Contributions for newly issued shares (interests, stocks)	-	-	-
<i>Balance as at 31 December 2020</i>	16 000	365 120	365 120
Contributions for newly issued shares (interests, stocks)	-	92 160	92 160
<i>Balance as at 31 December 2021</i>	16 000	457 280	457 280

As at 31 December 2021, the Bank's registered and fully paid-up authorized capital is UAH 457,280 thousand and consists of 16,000,000 ordinary registered shares with a nominal value of UAH 28.58 each.

As at 31 December 2021 was in effect the Charter of JOINT STOCK COMPANY BANK ALLIANCE approved by General Shareholders Meeting of JOINT STOCK COMPANY BANK ALLIANCE (minute No.1/2021 dated 26 January 2021) and registered by the State Registrar from 18 March 2021. Certificate of state registration of the issue of shares with a nominal value of UAH 28.58 each was issued to the Bank by the National Securities and Stock Market Commission on 7 May 2020 (No.27/1/2021).

The new version of Charter of JOINT STOCK COMPANY BANK ALLIANCE was approved by the Extraordinary General Meeting of Shareholders of JOINT STOCK COMPANY BANK ALLIANCE (minute No. 3/2021 dated 26 November 2021).

The Bank did not buy back, sell previously bought shares, or cancel shares during 2021. 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 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 amount of the reserve fund was UAH 40 307 thousand. During the reporting period, the Bank allocated UAH 4 223 thousand to the reserve fund. (2020: UAH 4 903 thousand), which is 5% of the Bank's profit obtained in 2020. At the end of the reporting period, the amount of reserve and other funds of the Bank is UAH 44 530 thousand.

The information of note 22 is disclosed in Statement of financial position (balance sheet) and Statement of changes in equity (statement of equity).

Note 23. Analysis of assets and liabilities by maturities

Table 23.1. Analysis of assets and liabilities by maturities

<i>In thousands of UAH</i>	Note	31.12.2021			31.12.2020		
		1 year or less	More than 1 year	Total	1 year or less	More than 1 year	Total
ASSETS							
Cash and cash equivalents	6	1 161 292	-	1 161 292	570 001	-	570 001
Loans and advances to banks	7	17 382	-	17 382	68 565	-	68 565
Loans and advances to customers	8	2 968 960	937 968	3 906 928	2 508 366	500 415	3 008 781
Investments in securities	9	1 758 558	4 404 887	6 163 445	1 734 070	1 795 270	3 529 340
Current income tax receivable		5	-	5	313	-	313
Deferred tax asset		5 208	-	5 208	3 304	-	3 304
Property, plant and equipment and intangible assets	10	-	68 239	68 239	-	37 820	37 820
Right-of-use assets	11	-	63 437	63 437	-	25 638	25 638
Non-current assets held for sale and disposal groups	12	67 539	-	67 539	67 539	-	67 539
Other assets	13	29 777	-	29 777	40 353	385	40 738
Total assets		6 008 721	5 474 531	11 483 252	4 992 511	2 359 528	7 352 039
LIABILITIES							
Due to banks	14	58	2 100 000	2 100 058	56 593	1 000 000	1 056 593
Due to customers	15	7 418 170	279 141	7 697 311	5 116 095	65 371	5 181 466
Derivative financial liabilities	16	333	-	333	1 794	-	1 794
Current income tax payable		38 862	-	38 862	9 110	-	9 110
Provisions for liabilities	17	25 153	735	25 888	17 466	890	18 356
Lease liabilities	18	29 417	36 807	66 224	16 580	10 456	27 036
Subordinated debt	19	1 276	271 041	272 317	541	113 042	113 583
Other borrowings	20	37 175	246 789	283 964	-	41 710	41 710
Other liabilities	21	69 454	15 739	85 193	309 212	11 136	320 348
Total liabilities		7 619 898	2 950 252	10 570 150	5 527 391	1 242 605	6 769 996

Information of Note 23 is disclosed in the statement of financial position (balance sheet).

Note 24. Interest income and expenses

Table 24.1. Interest income and expenses

<i>In thousands of UAH</i>	2021	2020
INTEREST INCOME:		
Loans and advances to customers	692 001	461 533
Due from banks	1 265	1 366
Correspondent accounts with other banks	75	26
NBU deposit certificates held at amortised cost	34 074	18 404
Other interest income	1 218	197
Total interest income	728 633	481 526
INTEREST EXPENSES:		
Corporate current accounts	(65 633)	(35 774)
Current amounts due to individuals	(3 827)	(1 481)
Correspondent accounts of other banks	(197)	(297)
Term deposits of entities	(179 617)	(99 125)
Term deposits of individuals	(138 064)	(130 921)
Term deposits of other banks	(197)	(180)
Other borrowings	(2 003)	(7 419)
Interest expenses on loans received from the National Bank of Ukraine through refinancing	(149 532)	(10 575)
Interest expense on lease liabilities	(4 685)	(4 355)
Interest expense on subordinated debt	(8 925)	(3 285)
Interest expenses on loans received from international and other institutions	(3 551)	(23)
Other expenses	(7 440)	-
Total interest expenses	(563 671)	(293 435)
Net interest income (expenses)	164 962	188 091

Information of Note 24 is disclosed in the statement of profit or loss and other comprehensive income (statement of profit or loss) and Note 31.

Note 25. Commission income and expenses

Table 25.1. Commission income and expenses

<i>In thousands of UAH</i>	2021	2020
COMMISSION INCOME		
Cash and settlement services	95 654	71 553
Credit services to customers	4 614	37 489
Currency market trading for customers	105 293	51 547
Guarantees issued	336 353	167 470
Transactions with securities for customers	204	95
Total commission income	542 118	328 154
COMMISSION EXPENSES		
Cash and settlement services	(38 500)	(22 285)
Credit services	(4 164)	(1 752)
Off-balance-sheet transactions	(847)	(341)
Total commission expenses	(43 511)	(24 378)
Net commission income/expenses	498 607	303 776

Information of Note 25 is disclosed in the statement of profit or loss and other comprehensive income (statement of profit or loss) and Note 31.

Note 26. Other operating income

Table 26.1. Other operating income

<i>In thousands of UAH</i>	2021	2020
Income from safe deposit box rental	1 270	1 262
Income from entering data into the State Register of Movable Property Encumbrances	82	118
Income from operating lease	106	157
Income from other services	2 578	-
Income from sale under the assignment agreement	701	-
Gains from interest accrued on early termination of deposit agreements	1 109	458
Penalties and fines received by the Bank	10 366	22 002
Other	4 532	2 356
Total other income	20 744	26 353

Information of Note 26 is disclosed in the statement of profit or loss and other comprehensive income (statement of profit or loss).

Note 27. Administrative and other operating expenses

Note 27.1. Administrative and other operating expenses

<i>In thousands of UAH</i>	2021	2020
Cost of maintenance of property, plant and equipment and intangible assets, telecommunication and operational expenses	(41 269)	(27 821)
Operating lease expenses	(1 970)	(2 236)
Other expenses attributable to property, plant and equipment	(23)	(80)
Professional fees	(7 032)	(3 530)
Marketing and advertising	(2 570)	(37 504)
Insurance expenses	(679)	(96)
Payment of other taxes and duties, other than income tax	(16 231)	(12 900)
Referral fees	(23 330)	(29 382)
Expenses for payment cards transactions	(33 482)	(23 033)
Other	(23 193)	(20 909)
Total administrative and other operating expenses	(149 779)	(157 491)

Information of Note 27 is disclosed in the statement of profit or loss and other comprehensive income (statement of profit or loss) and Note 31.

Note 28. Result from transactions with financial instruments at FVTPL**Table 28.1.** Result from transactions with financial instruments at FVTPL

<i>In thousands of UAH</i>	2021	2020
Result of transactions with derivative financial instruments held at FVTPL, incl.:		
Revaluation surplus/(deficit) on foreign currency swaps	(45 793)	(1 427)
Revaluation surplus/(deficit) on foreign currency swaps	1 326	(5 138)
gain/(loss) from sale of foreign currency swaps	97 257	13 648
gain/(loss) from sale of foreign currency swaps	(566 276)	(160 711)
gain/(loss) from transactions with securities held at FVTPL	404 797	46 778
Total net profit/(loss) from transactions with financial instruments at FVTPL	(108 689)	(106 850)

Information of Note 28 is disclosed in the statement of profit or loss and other comprehensive income (statement of profit or loss) and Note 31.

Note 29. Income tax expenses**Table 29.1.** Income tax expenses

<i>In thousands of UAH</i>	2021	2020
Current income tax	74 829	21 328
Change in deferred tax	(1 904)	(2 102)
Total income tax expenses	72 925	19 226

The data of Note 29 are disclosed in the statement of profit or loss and other comprehensive income (statement of profit or loss).

The following changes to the deferred tax occurred in 2021:

- the deferred tax asset increased in the amount of UAH 1,903 thousand due to the accrued reserves for guarantees and differences that arise during the depreciation of non-current assets.

Table 29.2. Reconciliation of accounting profit (loss) and taxable profit (loss)

Line	<i>In thousands of UAH</i>	2021	2020
1	Profit before tax	403 984	103 682
2	Theoretical tax expenses at applicable tax rate 18%	72 717	18 663
ADJUSTMENTS TO THE REPORTED PROFIT (LOSS):			
3	Expenses not included in the amount of expenses aiming at taxable income calculation, but recognised in the accounting records	33 514	34 364
3.1	Differences that arise from depreciation of non-current assets and increase financial result	14 734	10 817
3.2	Differences that arise from accrual of provisions that increase financial result	8 752	12 914
3.3	Differences in interest accrual in tax accounting	1 043	1 075
3.4	Differences that arise from of PP&E and increase financial result by the amount of residual value	159	78
3.5	Differences that arise from sale of securities and increase financial result	8 072	8 754
3.6	Differences that arise from purchase of services from non-residents and increase financial result	717	726
3.7	Differences from recognized fines, penalties and increase the financial result	37	-
4	Expenses included in the amount of expenses for calculation of taxable income, but not recognised in accounting records (differences that arise from depreciation of non-current assets and decrease financial result)	(21 786)	(19 557)
4.1	Differences that arise from depreciation of non-current assets and reduce financial result	(11 691)	(9 333)
4.2	Differences that arise from write-off (sale) of PP&E and decrease financial result by the amount of residual value	(636)	(233)
4.3	Differences that arise from charging provisions and reduce financial result	(1 220)	(1 237)
4.4	Differences that arise from sale of securities and decrease financial result	(8 072)	(8 754)
4.5	Differences, assets written off in previous periods, which in the reporting period acquired the features defined in clause 14.1.11	(167)	-
5	Income tax expenses, incl.:	(72 925)	(19 226)
	- against deferred tax assets	1 904	2 102

The Bank made a decision to record deferred tax assets in the amount of UAH 1 904 thousand.

According to the results of the year, the Bank has differences that arise as a result of accrual of reserves for assets - guarantees and increase the financial result before taxation in the amount of UAH 7 532 thousand – DTA – UAH 1 365 thousand; differences arising from the depreciation of non-current assets in the amount of UAH 3 043 thousand – DTA – UAH 547 thousand.

The bank has permanent differences for which deferred tax assets are not recognized.

Differences that increase the financial result before taxation: UAH 1 043 thousand – interest accrual in tax accounting; UAH 717 thousand – arise from purchase of services from non-residents; UAH 37 thousand – recognized fines, penalties.

Differences that decrease the financial result before taxation: UAH 167 thousand – assets written off in previous periods, which in the reporting period acquired the features defined in clause 14.1.11; UAH 476 thousand –arose during the write-off of fixed assets.

Income tax expenses in 2021 amounted to UAH 74 829 thousand. At the same time, according to international standards, because the deferred tax asset was recognised in the Bank’s balance sheet, the income tax expenses decreased by UAH 1 904 thousand and final income tax expenses amount to UAH 72 925 thousand.

In the reporting year 2021, taxation of the Bank’s earnings was regulated by Section III of the Tax Code of Ukraine. Income tax rate for 2021 was 18%.

Table 29.3. Tax consequences related to the recognition of deferred tax assets and deferred tax liabilities for 2021

<i>In thousands of UAH</i>	Opening balance	Recognised in P/L	Recognised in OCI	Recognised in equity	Closing balance
Tax effect of temporary differences that decrease (increase) taxes payable and tax losses carried forward	-	-	-	-	-
Net deferred tax asset	3 304	1 904	-	-	5 208
Recognised deferred tax liability	-	-	-	-	-

At the end of 2021, the Bank charged a provision in the amount of UAH 8 752 thousand for impairment of guarantee assets with maturity of guarantees in 2022, and for which at the end of 2021 it recognised deferred tax assets in the amount of UAH 1 356 thousand in its balance sheet. At the same time certain provisions have been undone upon maturity of guarantees in 2021 and deferred tax assets were written-off in 2021 for the amount of UAH 1 220 thousand. At the end of 2021 the Bank recognised deferred tax assets in the amount of UAH 4 660 thousand as related to made provision for guarantee assets impairment. In 2021, the Bank recognized deferred tax assets based on the differences arising from the calculation of depreciation of non-current assets in the amount of UAH 547 thousand.

Table 29.4. Tax consequences related to the recognition of deferred tax assets and deferred tax liabilities for 2020

<i>In thousands of UAH</i>	Opening balance	Recognised in P/L	Recognised in OCI	Recognised in equity	Closing balance
Tax effect of temporary differences that decrease (increase) taxes payable and tax losses carried forward	-	-	-	-	-
Net deferred tax asset	1 202	2 102	-	-	3 304
Recognised deferred tax liability	-	-	-	-	-

Note 30. Profit/(loss) per ordinary share

Table 30.1. Net and adjusted profit/(loss) per ordinary share

<i>In thousands of UAH</i>	2021	2020
Profit/(loss) for the quarter (year to date)	331 059	84 456
Profit/(loss) attributable to the holders of ordinary shares of the Bank	331 059	84 456
Average annual number of ordinary shares outstanding (in thousands of shares)	16 000	16 000
Net and adjusted profit/(loss) per ordinary share (UAH)	20.69	5.28

The information of Note 30 is disclosed in the statement of profit or loss and other comprehensive income (statement of profit or loss).

Note 31. Operating segments

IFRS 8 defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, the component's operating results are regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and assess its performance, and discrete financial information is available for the component.

A segment is a separable component of the Bank's business, which deals either with the provision of services or products (business segment), or with the provision of services or the provision 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 recognised the following operating segments:

- services to corporate customers;
- services to individuals;
- services banks;
- investment activity;
- other segments and operations.

Services to corporate customers – this segment includes maintenance of current accounts of legal entities and individual entrepreneurs, granting of loans, credit lines in the form of "overdraft" and attraction of 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 of the Bank. Small and medium-sized enterprises and micro-businesses have been 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 increasing the customer base, improving the quality of customer service and increasing business efficiency, through the introduction of an optimal product range, service quality

standards, a retail product sales model in branches, a balanced credit policy, optimization of business processes, and improvement of the Bank's technological capabilities.

Services to banks – this segment includes transactions based on bank accounts, lending to banks, and transactions for the 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 .

Investing activity - this segment includes trading of financial instruments, operations on the capital market, operations with securities. Debt securities issued by state authorities - bonds of the domestic state loan of Ukraine (OVDP) and deposit certificates of the NBU remain the Bank's priority investment direction.

Information on revenues, expenses, assets and liabilities of the reporting segments is provided below.

Table 31.1. Income, expenses and results of reporting segments for 2021

<i>In thousands of UAH</i>	Reporting segments					Total
	services to corporate customers	services to individuals	services to banks	investment activity	Other segments and operations	
Income from external customers:						
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 segment income	1 188 459	30 724	28 169	34 344	9 799	1 291 495
Interest expense	(252 372)	(147 978)	(151 929)	-	(11 392)	(563 671)
Commission expenses	-	-	(19 761)	-	(23 750)	(43 511)
Net loss from financial assets impairment	(247 387)	(22 646)	(6 940)	-	-	(276 973)
Net profit/(loss) from transactions with financial instruments at FVTPL	-	-	-	404 797	(513 486)	(108 689)
Net profit/(loss) from foreign currency transactions	-	-	-	-	558 163	558 163
Net gain/(loss) from foreign currency translation	-	-	-	-	(30 267)	(30 267)
Accrual of provision for liabilities	(1 032)	-	-	-	(6 500)	(7 532)
Net gain/(loss) on derecognition of financial assets at AC	(11 023)	-	-	-	-	(11 023)
Administrative and other operating expenses (including benefits to employees)	-	-	-	-	(404 008)	(404 008)
SEGMENT RESULT: Profit/(loss) before tax	676 645	(139 900)	(150 461)	439 141	(421 441)	403 984

Table 31.2. Income, expenses and results of reporting segments for 2020

<i>In thousands of UAH</i>	Reporting segments					Усього
	services to corporate customers	services to individuals	services to banks	investment activity	Other segments and operations	
Income from external customers:						
Interest income	456 671	5 060	1 391	18 404	-	481 526
Commission income	284 961	11 850	28 136	162	3 045	328 154
Other income	22 842	1 304	-	-	2 207	26 353
Total segment income	764 474	18 214	29 527	18 566	5 252	836 033
Interest expense	(138 184)	(134 721)	(18 471)	-	(2 059)	(293 435)
Commission expenses	(12)	-	(13 205)	-	(11 161)	(24 378)
Net loss from financial assets impairment	(151 488)	(4 117)	(1 864)	-	-	(157 469)
Net profit/(loss) from transactions with financial instruments at FVTPL	-	-	-	46 778	(153 628)	(106 850)
Net profit/(loss) from foreign currency transactions	-	-	-	-	211 064	211 064
Net gain/(loss) from foreign currency translation	-	-	-	-	(8 453)	(8 453)
Accrual of provision for liabilities	(11 677)	-	-	-	-	(11 677)
Net gain/(loss) on derecognition of financial assets at AC	61	-	-	-	-	61
Administrative and other operating expenses (including benefits to employees)	-	-	-	(200)	(341 014)	(341 214)
SEGMENT RESULT: Profit/(loss) before tax	463 174	(120 624)	(4 013)	65 144	(299 999)	(103 682)

Table 31.3. Reporting segment assets and liabilities as at 31 December 2021

<i>In thousands of UAH</i>	Найменування звітних сегментів				Other segments and operations	Total
	services to corporate customers	services to individuals	services to banks	investment activity		
SEGMENT ASSETS						
Segment assets	3 853 145	53 782	602 408	6 163 445	-	10 672 780
Unallocated assets	-	-	-	-	810 472	810 472
Total assets	3 853 145	53 782	602 408	6 163 445	810 472	11 483 252
SEGMENT LIABILITIES						
Segment liabilities	4 127 040	2 046 273	2 132 799	2 100 000	-	10 406 112
Unallocated liabilities	-	-	-	-	164 038	164 038
Total liabilities	4 127 040	2 046 273	2 132 799	2 100 000	164 038	10 570 150

Table 31.4. Reporting segment assets and liabilities as at 31 December 2020

<i>In thousands of UAH</i>	Найменування звітних сегментів				Other segments and operations services to corporate customers	Total
	services to corporate customers	services to individuals	services to banks	Investment activity		
SEGMENT ASSETS						
Segment assets	6 002 642	24 820	143 754	3 529 340	-	6 700 556
Unallocated assets	-	-	-	-	651 483	651 483
Total assets	6 002 642	24 820	143 754	3 529 340	651 483	7 352 039
SEGMENT LIABILITIES						
Segment liabilities	3 780 108	1 579 845	78 985	1 000 000	-	6 438 938
Unallocated liabilities	-	-	-	-	331 058	331 058
Total liabilities	3 780 108	1 579 845	78 985	1 000 000	331 058	3 769 996

Note 32. Financial risk management

Risk management is an important factor in the banking business and an essential element of the Bank's operations. The main risks faced by the Bank include: credit risk, market risk (comprising risk of changes in foreign exchange rates and interest rates), liquidity risk and operational risk.

The Bank performs the integral risk management, whilst risks are assessed on the basis of the Bank's policy, which is reviewed and approved by the Supervisory Board of the Bank. Risk limits are set for credit risk, market risk and liquidity risk, and risk levels are maintained within these limits. The Bank has introduced the calculation and implementation of risk appetite (tolerance) to operational risks.

Credit risk

Credit risk is the risk of financial losses due to the possible failure to fulfil the commitments before the Bank by a borrower or counterparty. The Bank has developed policies and procedures for credit risk management (both for balance sheet and off-balance sheet items).

For the purpose of the financial statements regarding the risk management, the Bank considers and consolidates all elements of credit risk (counterparty risk, country risk, industry risk).

The Management Board of the National Bank of Ukraine adopted and introduced its resolution No. 351 dated 30 June 2016, under which the Bank shall calculate its uncovered credit risk as difference between provisions made for asset-side transactions and off-balance loan commitments. As at 1 January 2022, the uncovered credit risk amounted to UAH 26 171 thousand (as at 1 January 2021: UAH 49 996 thousand). The amount of the uncovered credit risk reduces the bank's regulatory capital and is reflected in the regulatory capital structure as at 1 January 2022.

Market risk

Market risk is the actual or potential risk to income and equity arising from unfavourable fluctuations in market rates, such as foreign exchange rates, interest rates, credit spreads and securities quotations. The Bank is exposed to market risks arising from open positions in interest rates, currency and equity products, which are largely exposed to general and specific market movements.

The Bank quarterly takes stress-testing, the results of which are considered at the Meetings of the Management Board for timely response to changing market conditions and performance of market environment.

Currency risk

Foreign currency risk is the risk that the value of financial instruments owned by the Group will fluctuate due to changes in foreign exchange rates.

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or projected assets in a foreign currency exceed or fall behind the liabilities in the same currency. Management establishes limits and continuously monitors currency positions in compliance with the provisions of the NBU and the 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 32.1. Currency risk analysis

(UAH '000)

Foreign currency	31.12.2021			
	Monetary assets	Monetary liabilities	Financial derivatives	Net position
USD	1 017 838	(1 006 560)	(168 808)	(157 530)
EUR	1 311 508	(1 325 098)	3 141	(10 449)
GBP	4 290	(8)	(4 112)	170
RUB	326	(61 715)	60 917	(472)
BYN	1 059	(1 190)	-	(131)
CHF	774	(300 467)	296 493	(3 200)
CAD	834	-	-	834
HUF	48	(14)	-	34
CNY	10	-	-	10
CZK	866	-	-	866
PLN	73	-	-	73
Gold	2 338	-	-	2 338
Total	2 339 964	(2 695 052)	187 631	(167 457)

(UAH '000)

Foreign currency	31.12.2020			
	Monetary assets	Monetary liabilities	Financial derivatives	Net position
USD	769 627	(1 212 882)	447 462	(15 793)
EUR	601 848	(582 642)	(60 634)	(41 428)
GBP	16 677	(249)	(9 533)	6 895
RUB	1 468	(82 055)	83 823	236
BYN	50	-	50	50
CHF	3 533	-	-	3 533
CAD	86	-	-	86
HUF	70	-	-	70
CNY	4	-	-	4
PLN	11	-	-	11
Gold	877	-	-	877
Total	1 374 251	(1 880 828)	461 118	(45 459)

Table 32.2. Changes in financial result and equity due to possible changes in exchange rates set at the reporting date, assuming that all other variables remain constant

(UAH '000)

Foreign currency	31.12.2021		31.12.2020	
	effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
USD strengthening by 5%	564	564	(23 163)	(23 163)
USD weakening by 5%	(564)	(564)	23 163	23 163
EUR strengthening by 5%	(680)	(680)	960	960
EUR weakening by 5%	680	680	(960)	(960)
GBP strengthening by 5%	214	214	821	821
GBP weakening by 5%	(214)	(214)	(821)	(821)
RUB strengthening by 5%	(3 069)	(3 069)	(4 179)	(4 179)
RUB weakening by 5%	3 069	3 069	4 179	4 179
BYN strengthening by 5%	(7)	(7)	2	2
BYN weakening by 5%	6	6	(2)	(2)
CHF strengthening by 5%	(14 985)	(14 985)	177	177
CHF weakening by 5%	14 985	14 985	(177)	(177)
CAD strengthening by 5%	42	42	4	4
CAD weakening by 5%	(42)	(42)	(4)	(4)
HUF strengthening by 5%	2	2	3	3
HUF weakening by 5%	(2)	(2)	(3)	(3)
CNY strengthening by 5%	-	-	0.2	0.2
CNY weakening by 5%	-	-	(0.2)	(0.2)
CZK strengthening by 5%	(699)	(699)	-	-
CZK weakening by 5%	699	699	-	-
PLN strengthening by 5%	4	4	1	1
PLN weakening by 5%	(4)	(4)	(1)	(1)
Gold strengthening by 5%	117	117	44	44
Gold weakening by 5%	(117)	(117)	(44)	(44)

Interest rate risk

Interest rate risk arises from the possibility of adverse changes in market interest rates resulting in a negative effect on interest income and equity.

Interest rate risk is measured by the extent of effect of changes in market interest rates on interest rate margin and net interest income. When the structure of assets that generate interest income differs from the structure of liabilities bearing interest, net interest income will increase or decrease as a result of changes in interest rates. As part of the interest rate risk management, the Bank's management continually assesses market interest rates on various types of assets and liabilities for which interest is charged.

Interest rate margin on assets and liabilities with different payouts and maturities may increase as a result of changes in market interest rates. In practice, the management changes interest rates for

certain financial assets and liabilities based on current market conditions and reciprocal arrangements documented as a supplement to the main agreement, where the new interest rate is indicated.

Financial assets and liabilities are recognised at carrying amount at the dates when interest rates were revised in accordance with agreements or maturities, whichever is earlier. For fixed interest rate assets and liabilities, the maturity is determined from the balance sheet date until the contractual maturity date, and for variable rate assets and liabilities – by reference to the nearest term of interest rate or maturity date, whichever is earlier.

The Bank has no financial instruments with a floating (variable) interest rate. At FVTPL, the Bank only accounts for domestic government loan bonds, which are refinanced by the NBU. Accordingly, the change in interest rate under OVDP transactions has an additional current effect on its profit or loss.

Table 32.3 General analysis of interest rate risk

<i>In thousands of UAH</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31.12.2021					
Total financial assets	2 442 518	1 182 555	1 055 766	5 342 855	10 023 694
Total financial liabilities	5 061 253	1 311 123	504 286	2 920 266	9 796 928
Net gap on interest-bearing assets and liabilities at the end of reporting period	(2 618 735)	(128 568)	551 480	2 422 589	226 766
31.12.2020					
Total financial assets	1 509 571	816 702	1 938 132	2 295 684	6 560 089
Total financial liabilities	2 628 368	1 219 641	1 088 252	1 188 572	6 124 833
Net gap on interest-bearing assets and liabilities at the end of reporting period	(1 118 797)	(402 939)	849 880	1 107 112	435 256

Table 32.4 Monitoring of interest rates on financial instruments

<i>In interest per annum</i>	31.12.2021				31.12.2020			
	UAH	USD	EUR	Other currencies	UAH	USD	EUR	Other currencies
ASSETS								
Loans and advances to banks	-	0.03	-	-	-	0.03	-	-
Loans and advances to customers	16.0	9.3	8.1	-	18.0	8.6	8.9	-
Investments in securities	10.4	3.9	-	-	8.7	-	-	-
LIABILITIES								
Due to banks	9.0	-	-	-	6.0	-	-	-
Due to customers	5.5	1.2	0.5	9.9	7.2	2.1	0.39	-
Current accounts	3.0	0.02	-	-	2.3	0.5	0.05	-
Term deposits	7.7	2.2	2.0	-	9.3	3.3	2.73	-
Other borrowings	-	-	2.3	-	-	-	2.14	-
Lease liabilities	6.6	-	-	-	13.8	-	-	-
Subordinated debt	6.8	6.0	-	-	6.5	6.0	-	-

Liquidity risk

Liquidity risk - existing or potential risk, which arises from the failure of the Bank to meet its obligations in due time, without incurring unacceptable losses.

Assets, liabilities and liquidity are managed by the Asset and Liability Committee (ALCO). The ALCO analyses assets and liabilities by maturities and provides recommendations on elimination of inconsistencies arising over time. In addition, the ALCO considers the cost of liabilities and profitability of assets, analyses the compliance with economic standards, monitors compliance with reserving requirement established by the National Bank of Ukraine and provides recommendations on asset and liability management to comply with regulatory parameters. The ALCO is also responsible for the optimisation of cash flows and ensuring payment discipline; coordinates corporate forecasting system and so on.

Liquidity risk is a key financial risk, the Banks stable financial position depends on the effective liquidity risk management. In order to manage liquidity risk, the Bank analyses the structure of assets and liabilities, liquidity conditions as a whole, in all currencies, and in the context of each individual currency of the Bank's transactions. In addition, the Bank's adherence to the requirements of mandatory reserving of raised funds on correspondent accounts, economic standards set by the National Bank of Ukraine (N6 short-term liquidity ratio, liquidity coverage ratio, NSFR) and internal regulations is subject to controls. An important tool for the effective liquidity management is to use the maturity balancing analysis method for active deposits and borrowed funds, cash flow forecasting. Compliance with the established limits shall be monitored daily on a basis of the report on the adherence to the established limits.

Table 32.5. Analysis of financial liabilities by maturities for 2021

<i>In thousands of UAH</i>	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Due to banks	15 808	31 500	141 750	2 712 750	2 901 808
Due to customers:	5 410 314	925 060	1 280 424	292 306	7 908 104
due to individuals	548 316	383 478	894 802	122 580	1 919 176
other	4 861 998	541 582	385 622	169 726	5 958 928
Other borrowings	483	967	41 280	251 762	294 492
Lease liabilities	2 954	5 908	26 586	37 618	73 066
Subordinated debt	1 693	3 079	13 509	429 263	447 544
Other financial liabilities	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-related commitments	370 929	698 983	1 753 868	317 676	3 141 456
Total potential future payments under financial liabilities	5 874 847	1 684 149	3 257 807	4 043 495	14 860 298

Table 32.6. Analysis of financial liabilities by maturities for 2020

<i>In thousands of UAH</i>	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Due to banks	56 593	-	-	1 000 000	1 056 593
Due to customers:	2 660 390	238 228	2 217 722	65 376	5 181 716
due to individuals	401 326	220 958	952 052	5 669	1 580 005
Other	2 259 064	17 270	1 265 670	59 707	3 601 711
Other borrowings	-	-	-	41 710	41 710
Lease liabilities	-	4 656	11 925	10 456	27 037
Subordinated debt	541	-	-	113 050	113 591
Other financial liabilities	315 508	126	1 446	11 357	328 437
Total payments for financial obligations (by balance sheet items)	3 033 032	243 010	2 231 093	1 241 949	6 749 084
Financial guarantees	30 735	26 154	9 622	-	66 511
Other credit-related commitments	262 325	372 997	1 336 896	267 803	2 240 021
Total potential future payments under financial liabilities	3 326 092	642 161	3 577 611	1 509 752	9 055 616

Table 32.7. Analysis of financial assets and liabilities by maturities based on expected maturities for 2021

<i>In thousands of UAH</i>	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	1 161 292	-	-	-	-	1 161 292
Securities (certificates of deposit issued by NBU, OVDP bonds)	1 630 357	100 561	27 640	4 131 614	273 273	6 163 445
Loans and advances to banks	17 382	-	-	-	-	17 382
Loans and advances to customers	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
Liabilities						
Due to banks	58	-	-	2 100 000	-	2 100 058
Due to customers	5 387 958	875 005	1 155 207	279 141	-	7 697 311
Financial liabilities carried at FVTPL	333	-	-	-	-	333
Lease liabilities	-	6 820	22 597	36 807	-	66 224
Subordinated debt	1 276	-	-	54 543	216 498	272 317
Other borrowings	-	-	37 175	246 789	-	283 964
Other financial liabilities	54 295	8 000	390	2 010	110	64 805
Total financial liabilities	5 443 920	889 825	1 215 369	2 719 290	216 608	10 485 012
<i>Net liquidity gap at 31 December (COB)</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>Cumulative liquidity gap as at 31 December</i>	<i>-</i>	<i>(1 991 979)</i>	<i>(1 629 771)</i>	<i>685 561</i>	<i>777 269</i>	<i>-</i>

Table 32.8. Analysis of financial assets and liabilities by maturities based on expected maturities for 2020

<i>In thousands of UAH</i>	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	570 001	-	-	-	-	570 001
Financial assets carried at FVTPL	-	-	-	-	-	-
Securities (certificates of deposit issued by NBU, OVDP bonds)	970 132	-	763 938	1 795 270	-	3 529 340
Loans and advances to banks	-	-	68 565	-	-	68 565
Loans and advances to customers	586 024	439 247	1 483 095	497 394	3 021	3 008 781
Other financial assets	13 964	475	10 106	324	-	24 869
Total financial assets	2 140 121	439 722	2 325 704	2 292 988	3 021	7 201 556
Liabilities						
Due to banks	56 593	-	-	1 000 000	-	1 056 593
Due to customers	2 660 353	238 201	2 217 541	61 832	3 539	5 181 466
Financial liabilities carried at FVTPL	279	-	1 515	-	-	1 794
Lease liabilities	-	4 655	11 925	10 456	-	27 036
Subordinated debt	541	-	-	56 392	56 650	113 583
Other borrowings	-	-	-	41 710	-	41 710
Other financial liabilities	292 091	126	1 446	11 357	-	305 020
Total financial liabilities	3 009 857	242 982	2 232 427	1 181 747	60 189	6 727 202
<i>Net liquidity gap at 31 December (COB)</i>	<i>(869 736)</i>	<i>196 740</i>	<i>93 277</i>	<i>1 111 241</i>	<i>(57 168)</i>	<i>474 354</i>
<i>Cumulative liquidity gap as at 31 December</i>	<i>-</i>	<i>(672 996)</i>	<i>(579 719)</i>	<i>531 522</i>	<i>474 354</i>	<i>-</i>

During the analysis of financial assets and liabilities by maturities based on expected maturities, the information is presented at carrying amount.

During the analysis of financial assets and liabilities, the Bank does not include balances on non-monetary items, which include:

- for asset-side transactions: inventories, deferred expenses, receivables for the acquisition of assets and services, advances, PP&E and right-of-use assets;
- for liability-side transactions: deferred expenses, payables for acquisition of assets, provisions for liabilities.

Geographical risk

Geographical risk is the risk of financial losses due to the possible failure to fulfil the commitments before the Bank by customers or counterparties residing in a particular country and therefore subject to the risks inherent into this country. Geographical risk is managed through assessing risks peculiar to each country (region, if necessary), which is considered by the management in decision-making.

The bank has an insignificant geographic risk in active operations: the volume of operations with non-residents is 0.7% of active operations, but during the year it increased in passive operations from 3.3% of liabilities as of 31 December 2020 to 12.3% as of 31 December 2021.

Operational risk

Operational risk is the risk of financial losses due to inadequacy or failures in internal processes, human factor, failures and errors in systems, and impact of external events. This includes, in particular, all types of fraud, legal risk. In case of a system upset, operational risk may lead to financial losses, have legal or regulatory implications, or cause damage to reputation.

Operational risk assessment is the process of determining the significance of operational risk based on an analysis of the combination of the probability of a risk event and possible losses (financial or non-financial). To identify the level of risk, the Bank has developed and approved an operational risk assessment matrix, whereby depending on the frequency of the event and/or incurred losses the risk of the event is assessed as “low”, “medium”, “high”, “critical”. The Bank holds monthly expert assessments of operational risks. According to its results, the decisions are taken on the implementation of appropriate measures to minimise and prevent operational risks. In addition, the assessment includes both monitoring of risk events and pro-active management of foreseeable operational risks.

The main methods of minimising operational and information risks are the development of internal procedures / products / internal regulations, as well as the implementation of banking operations and processes in such a way as to exclude / minimise the possibility of these risk factors. At the same time, special attention is paid to compliance with the principles of separation of powers, the procedure for approval, the approval and accountability of banking processes and operations.

The main, but not exhaustive, list of tools for control and mitigation (neutralisation), avoidance of operational and information risks in the Bank is as follows:

- description / updating and implementation of internal regulations related to the Bank's operations;
- compliance with the requirements and principles of information security;
- organisation of double approval (4 eyes rule) and confirmation of certain actions / operations;
- automation and improvement of technological systems;
- compliance with the requirements and principles of personnel management;
- development and approval of the Bank's products with a detailed analysis of all processes and internal regulations, with the approval of the plan for the introduction of a new product;
- development of an action plan in case of unforeseen circumstances;
- development of insurance procedures for certain types of operational risks, etc.
- introduction of a system for operational risks incident management;
- personnel training and awareness of operational risk as a whole;
- control over compliance by the Bank's employees with the regulations.

The spread of the COVID-19 pandemic became a significant challenge in assessing the Bank's ability to withstand operational risks in 2020. It should be noted that the Bank has ensured continuous operation under these conditions, with a significant number of staff transferred to remote work in order to minimise the risk of contracting the disease. In addition, the Bank provided the necessary protection (disinfectants and measures, personal protective equipment, tests, etc.). The COVID-19 pandemic was recognised by the Bank as an operational risk incident, so the costs incurred by the bank to minimise the negative consequences of the pandemic were included in the operational risk assessment.

Note 33. Capital management

The Bank's capital is assessed and analysed by the individual components of its types, taking into account the convention of this approach and interrelation of all types.

The regulatory capital is one of the most important Bank's activity indicators, which main purpose is to cover negative implications of different risks that Bank takes during its activity and to ensure the protection of deposits, financial firmness and the Bank stability.

Table 33.1 Regulatory capital structure

(UAH '000)			
Line	Item	31.12.2021	31.12.2020
1	<i>Common equity</i>	486 525	483 791
1.1	Actually paid registered authorised capital	457 280	365 120
1.2	Contributions in the non-registered authorised capital	-	92 160
1.3	Disclosed reserves created or increased at expense of retained earnings:	44 529	40 307
1.3.1	General provisions and reserve funds formed under the laws of Ukraine	44 529	40 307
1.3.1.1	including reserve funds	43 401	39 178
1.4	Reduction of core capital:	(15 284)	(13 796)
1.4.1	intangible assets less amortisation	(15 284)	(13 796)
2	<i>Additional capital</i>	486 525	90 960
2.1	Subordinated debt included in capital	260 145	56 500
2.2	Current year profit	380 148	42 062
2.2.1	Current year financial results	331 059	84 456
2.2.2	Uncovered credit risk	(26 171)	(49 996)
2.2.3	Past years profits (5030)	80 233	-
2.2.4	Accrued income for which the term of payment has expired	(11 439)	(2 764)
2.2.5	Partial amount of the provision for asset-side banking transactions that is included in the income accrued but not received for more than 30 days	6 466	2 764
3	<i>Redeployment</i>	-	-
4	Total regulatory capital	973 050	574 751

The components and procedures of calculation of the Bank's basic and additional capitals are governed by the Instruction on the Order of Regulation of Bank Activities in Ukraine No. 368 approved by the NBU on 28 August 2001 ("the Instruction") and Methodology for Calculation of Economic

Standards of Regulation of Banks in Ukraine approved by Decree No. 803-пш of the Board of the National Bank of Ukraine on 15 December 2017.

Capital management processes represent the sequence of the following actions:

- quality control of all the assets and off-balance sheet liabilities;
- implementation of appropriate adjustments of their value by forming provisions to cover the expected losses for liabilities of counterparties;
- adjustment of a capital amount by the volumes of contributions according to the Methodology;
- calculation of the projected ratios of a regulatory capital;
- permanent analysis of changes in the absolute value of a regulatory capital by components in the context of items;
- assessment of impact of changes in capital volume to other standards, in the calculation of which the regulatory capital ratio is used.

Regulatory capital adequacy ratio calculated according to the requirements of the NBU amounts to 12.26% with the threshold value of 10%.

Core capital adequacy ratio calculated according to the requirements of the NBU amounts to 10.32% with the threshold value of 7%.

Note 34. Contingent liabilities

1) legal proceedings

As at 1 January 2022, the Bank is dealing with property claims:

- 8 claims seeking to recover UAH 105 852 thousand and USD 90 thousand from the Bank
- 5 claims seeking to recover UAH 6 148 thousand from the Bank.

The main part of the claims against the Bank pertains to the institution of guarantees, which by their legal content are legal relations that are not limited to one, and only one, obligation of the guarantor before the beneficiary, but also include a set of obligations between the parties to the guarantee itself. Given the legal and unrestricted right of recourse of the Bank to the principal, the Bank's management considers potential legal risks in terms of payment of funds to comply with court decisions and failure to receive compensation for such payment as unlikely and insignificant. This is evidenced by a low level of non-performing assets in the Bank as whole.

2) contingent tax liabilities

The ambiguity of interpretations by the State Tax Service of Ukraine on separate taxation issues and frequent changes in tax legislation do not exclude the risk of possible additional charges of tax liabilities, fines, penalties in the future. However, given that the Bank's policy on taxation of banking transactions with income tax, accruals and payments of other taxes, fees, mandatory payments is based on the principles of compliance with current tax laws, prudence and diligence, the management consider the potential tax risks of future cash outflows due to the payment of any additional tax liabilities, fines, penalties to be remote and insignificant.

3) capital investment commitments

The Bank has no contractual obligations related to the reconstruction of buildings, purchase of property, plant and equipment and intangible assets.

4) operating lease commitments

The Bank did not enter into non-cancellable operating lease agreements, therefore, it has not had any potential liability for non-cancellable lease payments.

5) adherence to special requirements

The Bank did not enter into agreements for the receipt of funds on special requirements.

6) credit-related commitments

Table 34.1. Structure of loan commitments

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
Credit-related commitments provided	1 528 529	1 334 214
Guarantees issued	3 131 139	2 231 935
Avals issued	29 024	66 511
Uncovered letters of credit	10 316	8 086
Provision for credit-related commitments	(19 388)	(18 356)
Total credit-related commitments, net of provision	4 679 620	3 622 390

Table 34.2. Loan commitments by currencies

<i>In thousands of UAH</i>	31.12.2021	31.12.2020
UAH	4 378 111	3 055 359
USD	252 105	347 260
EUR	65 480	238 127
RUB	3 312	-
Total	4 699 008	3 640 746

7) collateralised assets and assets with restricted in title, use and disposal

As at 31 December 2021 (end of day), the Bank had collateralised assets and restricted assets with the following carrying amount:

- guarantee coverage under conversion agreement allocated to the financial company in the amount of UAH 43,704 thousand (2020: UAH 45,996 thousand)
- securities provided as collateral for refinancing loans of the National Bank of Ukraine in the amount of UAH 2,829,980 thousand. (2020: UAH 0 thousand).

Note 35. Change in liabilities related to financial activity**Table 35.1 Change in liabilities related to financial activity**

<i>In thousands of UAH</i>	Subordinated debt	Other borrowings	Lease liabilities
Balance as at 31 December 2019	-	-	31 603
Proceeds	113 252	41 503	
Repayment	-	-	(15 324)
Other	(331)	207	10 757
Balance as at 31 December 2020	113 583	41 710	27 036
Proceeds	160 000	255 871	-
Repayment	-	-	(30 097)
Other	(1 266)	(13 617)	69 285
Balance as at 31 December 2021	272 317	283 964	66 224

"Other" includes accrued interest, which the bank classifies as cash flows from operating activities, revaluation of liabilities, as well as the accrual of lease liabilities under new lease agreements

Note 36. Financial derivatives**Table 36.1. Fair value of derivative financial instruments recorded in the Bank's trading portfolio**

<i>In thousands of UAH</i>	31.12.2021		31.12.2020	
	positive fair value	negative fair value	positive fair value	negative fair value
Forward contracts	-	333	-	1 515
Foreign exchange swaps	-	-	-	279
Net fair value	-	333	-	1 794

During 2021 and 2020, the Bank did not use derivative financial instruments for hedge accounting.

Note 37. 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 arm's length transaction between market participants at the measurement date. Fair value assessment assumes that the transaction of sale of an asset or transfer of a liability takes place:

- or in the primary market for a given asset or liability;
- or, in the absence of a primary market, on the most favorable market for a given asset or liability.

The fair value of an asset or liability is estimated using assumptions that market participants would use in pricing the asset or liability, assuming that market participants are acting in their own best interests. The assessment of the fair value 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.

The 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 that are 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 carried 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 book value of short-term assets and liabilities is approximately equal to their fair value.

Table 37.1 Fair value of assets and liabilities as at 31 December 2021

<i>In thousands of UAH</i>		Fair value under different valuation models			Total fair value	Total carrying value	Difference (8=6-7)
		quoted prices (level 1)	model that uses observational data (level 2)	model that uses indicators not supported by market data (level 3)			
1	2	3	4	5	6	7	8
ASSETS							
1	Cash and cash equivalents	1 161 292	-	-	1 161 292	1 161 292	-
2	Loans and advances to banks	-	-	17 382	17 382	17 372	-
3	Loans and advances to customers:	-	-	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
LIABILITIES							
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 liabilities	-	-	66 224	66 224	66 224	-
10	Other financial liabilities	-	-	64 805	64 805	64 805	-
11	Total liabilities	-	-	9 875 432	9 875 432	9 928 398	-

Table 37.2 Fair value of assets and liabilities as at 31 December 2020

<i>In thousands of UAH</i>		Fair value under different valuation models			Fair value under different valuation models	Total fair value	Total carrying value
		quoted prices (level 1)	model that uses observational data (level 2)	model that uses indicators not supported by market data (level 3)			
1	2	3	4	5	6	7	8
ASSETS							
1	Cash and cash equivalents	570 001	-	-	570 001	570 001	-
2	Loans and advances to banks	-	-	68 565	68 565	68 565	-
3	Loans and advances to customers:	-	-	3 244 766	3 244 766	2 970 668	274 098
3.1	<i>loans to legal entities</i>	-	-	3 215 516	3 215 516	2 952 620	262 896
3.2	<i>loans to individuals</i>	-	-	29 251	29 251	18 048	11 203
4	Investments in securities	3 529 340	-	-	3 529 340	3 529 340	-
5	Other financial assets	-	-	24 869	24 869	24 869	-
6	Total assets	4 099 341	-	3 338 200	7 437 541	7 163 443	274 098
LIABILITIES							
7	Due to banks	-	-	1 056 593	1 056 593	1 056 593	-
8	Due to customers:	-	-	5 151 585	5 151 585	5 181 466	(29 881)
8.1	<i>legal entities</i>	-	-	3 588 819	3 588 819	3 601 621	(12 802)
8.2	<i>individuals</i>	-	-	1 562 766	1 562 766	1 579 845	(17 079)
9	Lease liabilities	-	-	27 036	27 036	27 036	-
10	Other financial liabilities	-	-	305 020	305 020	305 020	-
11	Total liabilities	-	-	6 513 198	6 513 198	6 543 079	(29 881)

Note 38. Related party transactions**Table 38.1.** Balances of related party transactions as at 31 December 2021

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Due to customers	26 578	6 813	1 436
Loans and advances to customers	33 950	62	2 789
Provision for loan impairment as at 31 December 2021	(138)	(9)	(797)

Table 38.2. Balances of related party transactions as at 31 December 2020

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Due to customers	3 304	779	46 043
Loans and advances to customers	172	3 090	94 130
Provision for loan impairment as at 31 December 2020	(8)	(650)	(5 587)

Table 38.3. Income and expenses on related party transactions for year ended 31 December 2021

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Interest income	10 215	9 048	157
Interest expense	(1 195)	(884)	(63)
Commission income	942	4	3
Administrative and other operating expenses	-	(36 783)	(2 183)

Table 38.4. Income and expenses on related party transactions for year ended 31 December 2020

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Interest income	-	469	14 151
Interest expense	(381)	(8)	(1 312)
Commission income	-	-	599
Administrative and other operating expenses	-	(26 971)	(2 630)

Table 38.5. Total amount of loans issued to related parties and reimbursed by the related parties for the year ended 31 December 2021

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Amount of loans issued to related parties for the period	252 306	73 526	4 010
Amount of loans repaid by related parties for the period	304 327	100 396	1 434

Table 38.6. Total amount of loans issued to related parties and reimbursed by the related parties for the year ended 31 December 2020

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Amount of loans issued to related parties for the period	2 083	5 083	175 534
Amount of loans repaid by related parties for the period	2 141	3 886	169 428

Table 38.7. Other rights and commitments under related-party transactions as at 31 December 2021

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Import letters of credit	-	-	5 696

Table 38.8. Other rights and commitments under related-party transactions as at 31 December 2020

<i>In thousands of UAH</i>	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
Import letters of credit	-	-	8 086

Table 38.9. Executive management remuneration (UAH '000)

Line	<i>In thousands of UAH</i>	31.12.2021		31.12.2020	
		expenses	accrued liabilities	expenses	accrued liabilities
1	Current payments to the employees	(29 089)	(4 689)	(21 047)	(3 413)
2	Layoff costs	-	-	-	-

Note 39. Events after the reporting date

On 21 February 2022 Russian President has announced the recognising the independence of two regions of Ukraine - the self-proclaimed Donetsk People's Republic and Luhansk People's Republic and ordered troops into two rebel-held eastern regions. Several countries have announced penalising Russia with sanctions in response. On 23 February 2022 the National Security and Defense Council of Ukraine called for a state of emergency. On 24 February 2022 Russian President has announced the "special military operation" into Ukraine, which in fact meant the beginning of the Russian Federation's premeditated, unprovoked war on Ukraine. Russian forces have launched a major military assault on Ukraine immediately, with reports of missile strikes and explosions in major cities of Ukraine. President of Ukraine Volodymyr Zelenskyy signed Decree № 64/2022 "On the imposition of martial law in Ukraine" which was approved by Verkhovna Rada. Currently, the Ukrainian military continue resistance to Russian forces. At the same time, the Western world together with traditional neutral countries (Japan, Switzerland, etc.) are targeting Russia's economy, financial institutions and individuals, imposing sanctions against Russia over its invasion of Ukraine. Moreover, the number of international companies are suspending their activities in Russia.

National Bank of Ukraine approved Resolution No.18 On the Operation of the Banking System Under Martial Law dated 24 February 2022 as well as number of other legal acts. At the same time, the National Bank of Ukraine plans to gradually wind down emergency measures to support banks, provided that the risks to the liquidity of the banking system are reduced, which will make it possible to maintain financial stability and contribute to the return of the functioning of the economy to market conditions. In particular, the Regulator increased the discount rate to 25%. The purpose of this decisive step, along with other measures, is to protect citizens' hryvnia incomes and savings, increase the attractiveness of hryvnia assets, reduce pressure on the foreign exchange market and, as a result, strengthen the National Bank's ability to ensure exchange rate stability and curb inflationary processes during wartime.

On 13 April 2022 came into force Law of Ukraine No. 2180-IX On Amendments to Certain Laws of Ukraine Concerning Ensuring the Stability of the Households Deposit Guarantee System which contains rules providing for the full reimbursement of deposits of individuals at the expense of the Fund for the period of martial law in Ukraine and within 3 months from the date of its termination or cancellation. After the expiration of 3 months from the date of the end or cancellation of martial law, the maximum amount of reimbursement of funds on deposits of individuals in a bank will be increased to UAH 600,000.

The specified events definitely had and will have an impact on both individual indicators of the Bank's activity and the Strategy as a whole. In particular, outflows of client funds were observed, the rate of growth of the loan portfolio decreased in a controlled manner in comparison with the Bank's Development Strategy due to the strengthening of the credit policy regarding new lending, and the amount of operating income decreased. The bank has temporarily suspended the activities of 2 branches out of 30 since the introduction of martial law. The bank conducted stress testing of credit risk, the scenarios of which, in particular, include borrower default (property damage, non-payment of interest), changes in the market (fair) value of collateral, changes in the hryvnia exchange rate (devaluation), etc.; According to the management's assessment, according to the pessimistic scenario, which foresees a deterioration of the above indicators by 20%, the costs for the formation of reserves amount to UAH 255,055 thousand. The results of the stress test indicate the adequacy of the Bank's capital to cover additional significant risks and do not lead to violations of capital and/or credit risk standards.

The impact of military aggression on the economy of Ukraine will certainly be expressed in the fall of GDP and acceleration of inflation, which, in turn, will reduce the level of business activity of clients, credit appetite of households, etc. In turn, the Bank's Management Board carries out a number of measures aimed at leveling the consequences, in particular, regarding ensuring stable funding and balanced risk appetite in lending. The banking system as a whole has not stopped providing the entire spectrum of financial services, remains operationally stable and financially stable, which, despite the military situation in the country, allows maintaining the trust of clients in the sector at an extremely high level.

As at the date of these financial statements, there have been no:

- business combination;
- discontinued operations, or decisions to discontinue operations;
- restructurings of the Bank;
- court decisions ruled in the claimants' favour that would give rise to significant financial liabilities not recorded in the Bank's financial statements.

Chairperson of the Management Board

Chief Accountant



Julia FROLOVA
Victoria REGURETSKA

