JOINT-STOCK COMPANY “CRYSTALBANK”

Financial Statements for the year of 2020 (for the period from January 01, 2020 to December 31, 2020)

Statement of Financial Position (Balance Sheet)
as of December 31, 2020

(thousand UAH)

Item	Notes	December 31, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents	6	418 906	343 660
Loans and receivables	7	665 546	411 555
Investments in securities	8	1 647 461	780 330
Current income tax receivable		-	1 527
Deferred tax assets		279	155
Fixed assets and intangible assets	9	41 171	35 764
Other assets	10	91 533	106 188
Total assets		**2 864 896**	**1 679 179**
LIABILITIES			
NBU loan		372 300	-
Client deposits	11	2 082 482	1 355 060
Current income tax payable		1 448	-
Provisions for liabilities	12	797	653
Other liabilities, incl.:	13	98 443	30 531
Currency swap liabilities		8	685
Lease (rent) liability		15 675	13 251
Total liabilities		**2 571 145**	**1 399 495**
EQUITY			
Authorized capital	14	264 689	264 689
Provisions and other funds of the Bank		6 861	6 510
Revaluation reserves		1 561	340
Retained earnings		7 794	1 132
Profit for the year		12 846	7 013
Total equity		**293 751**	**279 684**
Total liabilities and equity		**2 864 896**	**1 679 179**

Approved for issue and signed

March 30, 2021

Chairman of the Management Board L.A. Grebinskiy

Chief Accountant L.M. Symonenko

Prepared by: T.I. Linnyk
(044) 590-46-64

Profit and Loss Statement (Income Statement)
for the year of 2020

(thousand UAH)

Item	Notes	2020	2019
Interest income	16	190 049	172 254
Interest expense	16	(66 335)	(47 293)
Net interest profit/(Net interest expense)		**123 714**	**124 961**
Fee and commission income	17	79 088	68 719
Fee and commission expense	17	(10 873)	(8 250)
Net Profit (Loss) from operations with financial instruments accounted for at fair value through profit or loss		(8 518)	22 129
Foreign exchange gain or loss		(2 077)	21 878
Profit or loss from foreign currency revaluation		34 431	(19 261)
Profit or loss from currency swap revaluation		-	(685)
Income / (expenses) arising from the initial recognition of financial assets at an interest rate higher or lower than the market rate		-	(116)
Net loss from impairment of financial assets		(15 503)	(44 346)
Net loss (profit) from increase (decrease) of provisions for liabilities	12	(143)	(114)
Net (profit) from derecognition of financial assets accounted for at amortized cost		(8 865)	15 624
Income from derecognition of financial liabilities		1 425	953
Other operating income	18	6 249	16 358
Employee benefit expenses	19	(124 924)	(135 108)
Depreciation and amortization costs	19	(5 592)	(3 882)
Right-of-use asset depreciation		(11 954)	(5 695)
Other administrative and operating expenses	19	(40 761)	(44 599)
Profit / (loss) before tax		**15 697**	**8 566**
Income tax expense	20	(2 851)	(1 553)
Income/(loss) from continuing operations		**12 846**	**7 013**
Profit/(loss) for the year		**12 846**	**7 013**
Profit / (loss) owned by:			
Bank’s shareholders		**12 846**	**7 013**
uncontrolled share			
Earnings / (loss) per share from continuing operations:			
Net profit / (loss) per ordinary share, UAH	21	0.6	0.4
Adjusted net income / (loss) per ordinary share, UAH		0.6	0.4
Earnings / (loss) per share held by owners:			
Net profit / (loss) per ordinary share per the year, UAH		0.6	0.4
Adjusted net income / (loss) per ordinary share per the year, UAH		0.6	0.4

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Statement of Comprehensive Income
for the year of 2020

(thousand UAH)

Item	December 31, 2020	December 31, 2019
Profit/(loss) for the year	**12 846**	7 013
OTHER COMPREHENSIVE INCOME		
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Changes in the profit or loss from revaluation of debt financial instruments	1 221	35
Total comprehensive income for the year	**14 067**	**7 048**
Total comprehensive income of the Bank’s owners	**14 067**	**7 048**

Approved for issue and signed

March 30, 2021

Chairman of the Management Board L.A. Grebinskiy

Chief Accountant L.M. Symonenko

Prepared by: T.I. Linnyk
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Cash Flow Statement - Direct Method
for the year of 2020

(thousand UAH)

Item	Notes	December 31, 2020	December 31, 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Interest income received		170 254	162 952
Interest expense paid		(65 805)	(45 691)
Fee and commission income received		79 103	68 860
Fee and commission expense paid		(10 873)	(8 250)
Profit or loss from operations with financial instruments accounted for at fair value through profit or loss		(8 510)	21 445
Foreign exchange gain or loss		(2 078)	21 878
Other operating income received		6 342	13 408
Employee benefit expense paid		(124 311)	(133 594)
Other administrative and operating expenses paid		(45 702)	(46 146)
Cash received/(paid) from operating activities before changes in operating assets and liabilities		**(1 580)**	**54 862**
Net (increase)/decrease in loans from the NBU		372 300	-
Net (increase)/decrease in loans and receivables		(265 433)	(62 876)
Net (increase) / decrease in other assets		14 818	(22 472)
Net increase / decrease in client deposits		726 951	313 435
Net increase/decrease in provisions for liabilities		-	-
Net increase/decrease in other liabilities		49 959	27 944
Net cash received /(used) from operating activities		**897 015**	**310 893**
CASH FROM INVESTMENTS			
Investments in securities		(847 025)	(262 899)
Purchase of fixed assets		(6 098)	(5 473)
Purchase of intangible assets		(3 068)	(2 267)
Net cash received /(used) from investments		**(856 191)**	**(270 639)**
Effect of changes in the NBU official exchange rate on:			
- **cash and cash equivalents**		**84 498**	**(39 230)**
- **other balance sheet items**		**(50 076)**	**-**
Net increase/decrease in cash and cash equivalents		**75 246**	**1 024**
Cash and cash equivalents at the beginning of the period	**6**	**343 660**	**342 636**
Cash and cash equivalents at the end of the period	**6**	**418 906**	**343 660**

Approved for issue and signed

March 30, 2021

Chairman of the Management Board L.A. Grebinskiy

Chief Accountant L.M. Symonenko

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Statement of Changes in Equity (Equity Statement)
for the year of 2020

(thousand UAH)

Item	Held by the Bank’s shareholders: authorized capital	provisions and other funds	revaluation reserves	retained earnings	Total equity
Balance at the end of December 31, 2018	**254 664**	**6 111**	**305**	**11 556**	**272 636**
Total comprehensive income	-	-	35	7 013	**7 048**
profit/(loss) for the year	-	-		*7 013*	***7 013***
other comprehensive income	-	-	*35*		***35***
Profit distribution to provisions and other funds	-	399		(399)	**-**
Increase in the value of shares due to retained earnings	10 025			(10 025)	**-**
Balance at the end of December 31, 2019	**264 689**	**6 510**	**340**	**8 145**	**279 684**
Total comprehensive income	-	-	1 221	12 846	**14 067**
profit/(loss) for the year	-	-	-	*12 846*	***12 846***
other comprehensive income	-	-	*1 221*		***1 221***
Profit distribution to provisions and other funds	-	351	-	(351)	**-**
Balance at the end of December 31, 2020	**264 689**	**6 861**	**1 561**	**20 640**	**293 751**

Approved for issue and signed

March 30, 2021

Chairman of the Management Board L.A. Grebinskiy

Chief Accountant L.M. Symonenko

Prepared by: T.I. Linnyk
(044) 590-46-64

Note 1. Information about the Bank

JOINT-STOCK COMPANY “CRYSTALBANK” (abbreviated name: JSC “CRYSTALBANK”, hereinafter - the Bank) has been incorporated in Ukraine.

the Bank’s address: 2 Kudriavskyi Uzviz, Kyiv, 04053, Ukraine.

The Bank operates on the territory of Ukraine on the basis of the Articles of Association approved by the National Bank of Ukraine on October 09, 2019, the state registration of which was carried out on October 17, 2019 and banking license No. 276 dated April 29, 2015.

Legal form of the Bank: 230 (Joint-Stock Company).

As of January 01, 2021, the Bank’s shareholders are:

- ✓ an individual Maryna Hustavivna Leninh. The share in the authorized capital of the Bank is 50%;
- ✓ an individual Oksana Volodymyrivna Hrebinska. The share in the authorized capital of the Bank is 25%;
- ✓ an individual Leonid Andriiovych Grebinskiy. The share in the authorized capital of the Bank is 25%.

Officials of the Bank hold shares and interest in the authorized capital of JOINT-STOCK COMPANY “CRYSTALBANK” in the amount of 50 %. The purchase of major shareholding in the Bank was approved in accordance with the Resolution of the National Bank of Ukraine Committee on Banking Supervision and Regulation, supervision (oversight) of payment systems No. 57 dated March 06, 2017.

Foreign investors do not hold shares or interest in the authorized capital of JOINT-STOCK COMPANY “CRYSTALBANK”.

The Bank’s management bodies are the General Meeting of Shareholders, the Supervisory Board, and the Bank’s Management Board.

The Bank’s control divisions are the Internal Audit Division, the Risk Management Department, and the Compliance Control Service.

The Bank has no investments in associates or subsidiaries or institutions.

The financial statements were prepared for the period ended 31 December 2020.

These financial statements were approved for issue and signed by the Bank’s management on March 30, 2021.

Note 2. The economic environment where the Bank operates

As a result of the Coronavirus crisis, the Ukrainian economy, according to the NBU estimates, shrank by 4.4% in 2020. The drop was significantly less than expected at the beginning of the pandemic. Comparison with other countries also shows that Ukraine has passed this global crisis quite well.

What helped to cope with the consequences of the pandemic faster?

First, the economy is quite strong due to the reforms of the previous years. In particular, due to the cleaning up of the banking system, the transition to a floating exchange rate formation regime in the foreign exchange market and the effective policy of the National Bank to curb inflation. This made it possible to avoid another banking and currency crisis, as well as price growth.

Secondly, the stability of Ukrainian exports. The main goods that Ukraine sells abroad remained in demand. Food sold well even during the pandemic. In addition, global food prices remained quite high. Therefore, the agricultural sector, which occupies a significant share in the Ukrainian economy, passed the crisis quite confidently. At the same time, large-scale infrastructure projects in other countries, primarily in China, provided revenues to Ukrainian metallurgists. Traditionally, the services of the Ukrainian IT sector were also sold well. But imports declined significantly due to cheaper energy resources, falling demand for non-essential goods, and curtailing international tourism.

Third, the anti-crisis measures of the government, in particular programs to support businesses and the population. In particular, additional payments to doctors at the forefront of the fight against Coronavirus, citizens who lost their jobs due to the pandemic, and affected companies and enterprises. Infrastructure projects in the field of road construction have also had a positive impact on the economic recovery.

Fourth, the National Bank’s incentive policy. In response to the crisis, the NBU has created conditions for loans to businesses and households to become more affordable. To this end, the NBU significantly eased the monetary policy, namely, reduced the discount rate to a record level of 6%. In addition, banks were able to borrow funds from the NBU at this rate for a long time. Some requirements for banks have also been eased to focus more on supporting the economy during the crisis. As a result, banks began to lend more actively and offer borrowers better terms.

Finally, the support of Ukraine by international partners – the IMF, the World Bank, and the EU - was important. The funds received from them under various programs were used to overcome the consequences of the pandemic and revive economic activity.

As a result, the economy began to recover quite quickly – from the third quarter of 2020, and this year it will almost make up for losses from the pandemic. The National Bank predicts that in 2021-2023, the country’s GDP will grow by about 4% annually.

In 2020, consumer prices increased by 5%. It is the moderate inflation that the National Bank focuses on. Inflation should always be as close to 5% as possible. Then confidence in hryvnia will continue to strengthen, lending will grow, and businesses and citizens will be able to plan better for the future. All this is very important for the economy. Inflation differed for certain groups of goods and services. Administered prices increased the most. In particular, tariffs for natural gas have increased, tobacco products have risen in price due to the increase in excise taxes. The increase in food prices was generally moderate. However, some products at the end of the year rose in price more noticeably due to worse harvests. But the cost of non-food products (household appliances, clothing, shoes, etc.) has generally changed insignificantly, and fuel has even fallen in price.

During 2020, interest rates on loans and deposits decreased rapidly. The National Bank lowered the discount rate to a record level of 6%, so loan money has become cheaper for banks, and accordingly for borrowers. Of course, all this would not have been possible without low inflation. The reduction in interest rates supported Ukrainian businesses during the crisis. Businesses were able to borrow funds from banks much cheaper than before. So at the end of 2020, short-term loans were granted at about 8%, and long-term loans were granted at 13%. A year earlier, they were significantly higher – 15-20%. Loans for households, including mortgages, have also fallen in price.

Note 3. Financial reporting fundamentals

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) based on the assumption that the Bank will be continuously operating for the foreseeable future. The main accounting policies used in the preparation of these financial statements are listed below. These principles have been applied consistently to all reporting periods, unless otherwise specified (see Note 5).

The following accounting policies do not include new standards, changes to standards, or interpretations that were voluntary in 2020.

The functional currency and reporting currency is the national currency of Ukraine – the Ukrainian Hryvnia, which, having the status of the national currency of Ukraine, reflects the essence of most of the Bank’s operations and related circumstances. All values are rounded up to the nearest thousands of hryvnias, unless otherwise specified.

Note 4. Accounting policies principles

4.1. Fundamentals of evaluating the preparation of financial statements

The Bank applies such valuation bases to varying extents and in different combinations. These include:

- ✓ historical cost or fair value of recovery issued to purchase an asset or liability at the time of purchase. Assets are recorded at the amount of cash or cash equivalents paid or at the fair value of recovery provided to purchase them at the time of their purchase. Liabilities are recognized at the amount of proceeds received in exchange for liabilities, or in some other circumstances – at the amounts of cash or cash equivalents expected to be paid for the purpose of repayment of the liability in the course of ordinary activities;
- ✓ current cost. Assets are recognized at the amount of cash or cash equivalents paid that could be obtained at the moment by selling the asset in the course of usual sales. Liabilities are recognized at the undiscounted amount of cash or cash equivalents that would be required to repay the liability at the current time;
- ✓ cost of sales (repayment). Assets are recognized at the amount of cash or cash equivalents or at the fair value of compensation provided to purchase them at the time of their purchase. Liabilities are recognized at their maturity value, i.e. the undiscounted amount of cash or cash equivalents expected to be paid to repay the liability in the course of ordinary activities;
- ✓ current value (discounted value). Assets are recorded at the present (discounted) value of future net income expected to be generated by the item during the business entity’s normal operations. Liabilities are recognized at the present (discounted) value of future net disposal of cash expected to be required to repay the liability in the course of ordinary activities.

Current cost, cost of sales, and current value are methods for estimating fair value.
When recognizing income (expenses), the Bank applies the accrual principle.
When preparing the financial statements, the Bank adheres to the concept of preserving financial capital.

4.2. Classification of financial instruments by category

In accordance with IFRS 9, all debt financial instruments that do not meet the criterion of “solely payments of principal and interest” (SPPI) are classified at initial recognition as financial assets measured at fair value through profit or loss (FVPL). According to this criterion, debt financial instruments that do not meet the definition of a “basic loan agreement”, such as instruments that contain a built-in conversion capability, are evaluated at FVPL.
For debt financial instruments that meet the SPPI criterion, the classification at initial recognition is determined based on the business model on which these instruments are classified as:

- ✓ instruments held for generating cash flows stipulated in the agreement are estimated at amortized cost;
- ✓ instruments held for generating cash flows and sales stipulated in the agreement are classified as measured at fair value through other comprehensive income (FVOCI);
- ✓ instruments that are held for other purposes are classified as measured at FVPL.

Equity financial instruments, when initially recognized, are classified as measured at FVPL, except in cases when, at its own discretion, a decision has been made, without the right to cancel in the future, to classify an equity financial asset as measured at FVOCI. For equity financial instruments classified as measured at FVOCI, all realized and unrealized gain and losses, except for dividend income, are recognized as part of other comprehensive income, without the right to further declassify as part of profit or loss.

4.3. Initial recognition of financial instruments

The Bank recognizes financial assets and liabilities in its balance sheet when it becomes a party to contractual obligations in relation to this instrument. Transactions involving the purchase and sale of financial assets and liabilities are recognized using accounting by transaction date or settlement date in accordance with the accounting policy that applies to a specific item in the financial statement. Changes in the fair value of the purchased financial instruments later to be measured at fair value, between the transaction date and the settlement date, are accounted for in the same way as the asset purchased. The change is recognized in the gain or loss for assets classified as financial assets at fair value, with revaluation reflected as profit or loss; the change is recognized in the other total gain for assets classified as available for sale.

4.4. Profit or loss of the “first day”

At the time of initial recognition of a financial instrument, the Bank records profit or loss on the amount of the difference between the fair value of a financial asset or financial liability and the value of the agreement in correspondence with the Discount/Premium accounts, if the effective interest rate on this instrument is higher or lower than the market rate. The difference between the fair value of a financial asset or financial liability and the value of the agreement on operations with the Bank’s shareholders is reflected in the equity and included in installments in retained earnings (loss) during the retention period.

4.5. Reclassification of financial assets

The Bank can reclassify all financial assets only if it changes its business model for managing them, except for those defined at the time of initial recognition as measured at FVPL.
Reclassification of the equity financial assets and financial liabilities is not allowed.

4.6. Criteria for recognizing impairment

The Bank recognizes the provision for expected credit losses (ECL) on all its debt financial assets measured at amortized cost or FVOCI, as well as irrevocable loan commitments and financial guarantee contracts. The provision is calculated on the basis of ECL related to the probability of default over the next twelve months, unless there has been a significant increase in credit risk since the recognition of the financial instrument; in the latter case, the provision is calculated on the basis of ECL for the entire life of the asset. The Bank uses several (optimistic, basic, and pessimistic) scenarios to determine the probability of default.
The Bank identifies 3 stages of impairment depending on changes in the level of credit risk from the date of initial recognition. At the 1st stage of impairment, the Bank expects credit losses that may arise as a result of default events within the next 12 months from the valuation date. At the 2nd and 3rd stages of impairment, the Bank expects credit losses arising from the occurrence of all possible default events during the entire expected term of the financial instrument.
The 1st stage of impairment is characterized by no increase in credit risk, the terms of the contract are fulfilled, and the counterparty has a low credit risk.
The 2nd stage of impairment is characterized by a significant increase in credit risk compared to the date of initial recognition, the terms of the contract are not fully fulfilled, and the counterparty has a low credit risk.
The 3rd stage of impairment is characterized by objective evidence of default, the terms of the contract are not fulfilled.

4.7. Purchased or originated impaired financial assets

An impaired financial asset purchased or originated is amortized at the date of initial recognition. The Bank recognizes cumulative changes in expected credit losses over the entire life of a financial asset impaired at the time of initial recognition.

For such financial assets, the effective interest rate, adjusted for credit risk, is applied to the amortized cost of the financial asset from the date of initial recognition.

4.8. Determination of criteria for a significant increase in credit risk

Confirmation of the increase in credit risk is, in particular, observational data on such events:

- ✓ significant financial difficulties of the issuer or borrower;
- ✓ violation of the terms of the agreement, such as default or late payment;
- ✓ granting by the Bank an assignment to its borrower under economic or contractual conditions related to the borrower’s financial difficulties, which the Bank did not consider under other conditions;
- ✓ high probability of bankruptcy or financial reorganization of the borrower;
- ✓ disappearance of an active market for a financial asset due to financial difficulties;
- ✓ purchase or origination of a financial asset with a large discount reflecting the credit losses incurred.

4.9. Definition of default

Default is a condition in the relationship between the Bank and a borrower/counterparty that is characterized by a high risk of termination of the borrower’s performance of its obligations.

4.10. Transfer of an asset from one stage of impairment to another due to changes in the level of credit risk

The transfer of an asset from one stage of impairment to another occurs if events characteristic of the corresponding stage appear or disappear: a borrower has resumed/overdue payments, the borrower’s credit rating has changed. For purchased or originated impaired financial assets, the transition from the third stage of impairment to the second or first stage is not possible.

4.11. Procedure for accounting for forecast when determining expected credit losses, including macroeconomic information

When assessing credit losses, scenarios of macroeconomic dynamics of Ukraine with corresponding probabilities of their occurrence are taken into account. Expected credit losses are calculated as a value weighted on these probabilities that corresponds to the mathematical definition of the mathematical expectation of a discretely distributed random variable. The stages of making default models by types of borrowers and types of financial instruments include creating a model to determine the borrower’s default separately for each information set and scenario.

4.12. Derecognition of financial instruments

The Bank derecognizes the entire financial asset or part of the financial asset when the contractual rights to receive cash flows from the asset have become invalid, or the Bank has transferred the contractual rights to receive cash flows from the asset, as well as transferred basically all risks, benefits of owning the asset and control. The Bank holds the asset on its balance sheet and recognizes the liability incurred as a result of the transfer of the asset, if the above conditions are not met.

The Bank derecognizes a financial asset if the provisions for expected credit losses has been written off by a decision of the relevant collegial body of the Bank. The Bank uses the valuation reserve to write off bad debts. The Bank considers the following debts to be uncollectible:

- ✓ bad debts defined by the Tax Code of Ukraine;
- ✓ other debt, in respect of which the leading management have confidence that the borrower will not repay it.

The Bank derecognizes a financial liability or part of it in the balance sheet if such liability is repaid, canceled, or the term of its fulfillment has expired.

4.13. Modifications of cash flows provided for in the agreement for financial instruments

A change in the terms of an agreement or modification of a financial asset resulting in a revision of its cash flows may be recorded as derecognition of the original financial asset and recognition of the new financial asset at fair value, or continuation of recognition of the original financial asset with new terms.

When entering into additional agreements to agreements for financial assets, the Bank analyzes how significant such changes are. A significant change in the terms stipulated in the cash flow agreement for a financial asset is recognized as the derecognition of an existing financial asset and recognition of a new financial asset. Significant changes include, in particular:

- ✓ change in the loan currency;
- ✓ extension of the loan for a new term with simultaneous revision of the interest rate;
- ✓ a significant change in the terms of the agreement, in particular, a change in the interest rate, a change in the repayment period of the principal amount of the loan and/or interest;
- ✓ change of a fixed rate to a floating one.

In other cases, the discounted value of future cash flows is calculated under the old terms and under the revised terms using the initial effective rate. If the difference between them is significant (more than 30%), then the accounting recognizes the derecognition of the existing financial asset and recognition of the new financial asset.

If the terms of the agreement for a financial asset are revised by agreement of the parties or any other modification occurs that does not result in the derecognition of the original financial asset, the Bank recalculates the book value of this asset and recognizes profit or loss from the modification.

A change in the terms of cash flows stipulated in the agreement for a financial liability is considered significant if the total amount of discounted cash flows under the revised terms differs from the amount of discounted cash flows under the previous terms by more than 10 percent. In this case, the existing financial liability is derecognized and the new financial liability is recognized. Changes in the currency of a financial liability are taken into account in the same way.

If the change in the terms of the agreement is insignificant, the Bank recalculates the book value of the financial liability and recognizes the profit or loss from the modification by adjusting the discount/premium in correspondence with the interest expense accounts.

4.14. Methodology for determining internal ratings and evaluating collateral

The main methodological approach in determining the value of property offered as collateral is a comparative approach based on the study of the market of supply and demand of property, on the analysis of sales prices and offers of such property with appropriate adjustment of differences between the objects of comparison and the object of evaluation, which occurs according to the principles of substitution and takes into account the ratio of supply and demand. In the absence and insufficiency of data, when determining the value of property using a comparative method, the expert uses income and cost approaches.

4.15. Cash and cash equivalents

Cash and cash equivalents are assets that can be converted to a known amount of cash on demand and have little risk of changes in value. All placements of funds on the interbank market are included in loans and bank debt. Amounts related to funds with the restricted use are excluded from cash and cash equivalents. Cash and cash equivalents are accounted for at amortized cost.

4.16. Loans and receivables

Loans and receivables reflected in these financial statements are initially measured at fair value or at an equivalent amount that is usually the net amount of funds borrowed, including directly related costs and certain payments and loan organization fees considered as adjustments to the effective interest rate on the loan.

In the future, loans and receivables are accounted for at amortized cost.

Loan income is calculated using the effective interest rate method and is credited to the profit and loss account over the term of the loan.

Fee and commission income on contractual obligations to provide financing prior to the loan is charged for future periods and is included in the loan price when the loan is granted.

Fee and commission income on contractual financing obligations, if the use of the loan is unlikely or if there is uncertainty about the term and amount of the loan, is distributed evenly over the term of the liability.

The Bank recognizes expected credit losses over the entire term of the financial asset. Loans granted are recorded less provisions created to cover expected credit losses.

If it is impossible to repay loans and funds, they are written off against the provisions to cover the expected credit losses. Such decisions are made after all opportunities for repayment of debt amounts have been used and the Bank does not have reasonable prospects for collecting further cash flows from the financial asset.

4.17. Investments in securities

The Bank evaluates the investments in securities presented in these financial statements at amortized cost or fair value with recognition of revaluation in other comprehensive income, depending on the Bank's intentions to receive contractual cash flows or sell.

4.18. Fixed assets

Fixed assets include tangible assets that the Bank holds for the purpose of using them in the course of its activities or for performing administrative functions, the expected useful life (operation) of which is more than one year.

Fixed assets are credited at their original cost - the historical (actual) cost of fixed assets in the amount of cash or the fair value of other assets paid (transferred) or spent for the purchase (origination) of fixed assets. The original cost also includes all costs associated with the delivery, installation, assembling and commissioning of fixed assets. Asset maintenance and maintenance costs are charged to expenses as they are implemented and do not affect the book value of non-current assets.

After initial recognition, fixed assets are valued at revalued value (fair value) less accumulated depreciation and accumulated impairment losses – buildings and structures, and at original cost less accumulated depreciation and impairment losses – all other fixed assets.

The depreciation base for fixed and intangible assets is calculated after deducting the liquidation value of the asset. The liquidation value of the asset is zero.

Fixed assets are amortized at a straight-line method over the asset's useful life.

Depreciation expenses are recognized in the administrative expenses account.

Depreciation of low-value non-current tangible assets worth up to UAH 6,000 inclusive and with a period of use of more than a year is calculated in the first month of use in the amount of 100 percent of their value.

The Bank has set the following expected useful lives of fixed assets:

Group of fixed assets	Useful life (years)
Buildings and structures	100
Transmitting devices	10
Machinery and equipment	3-7
Vehicles	7
Tools, appliances, inventory (furniture)	3-10
Other fixed assets	3-12

The Bank annually reviews the useful lives of fixed assets and adjusts them if necessary.
Revaluation of fixed assets is carried out if the residual value of fixed assets differs significantly (by more than 10 %) from its fair value.
Gains and losses from disposal of fixed assets are recognized in the profit or loss account.

4.19. Intangible assets
The book value of purchased intangible assets is determined as the sum of the purchase price and other expenses directly related to purchase and preparation of these intangible assets for operation.
The Bank applies a straight-line method of amortization of intangible assets.
The useful life of an intangible asset derived from contractual or other legal rights is equal to the term of validity of contractual or other legal rights. If the contract or other legal rights do not specify the term of use of the asset, it is determined by the Bank and may not be less than 2 years.
Expenses for servicing intangible assets are attributed to the expenses of the period in which they are incurred. In this case, expenses that lead to an improvement or extension of the term of use of an intangible asset are included in the initial purchase price.
Gains and losses from disposal of intangible assets are recognized in the profit or loss account.

4.20. Assets held for sale
Assets are classified as assets held for sale if there is a high probability that their book value will be recovered as a result of the sale, rather than through further use, and the asset (or disposal group) can be immediately sold in its current state. The Bank’s management should have a firm intention to conduct a sale transaction that is expected to meet the criteria for a completed sale transaction within one year from the date of classification of the asset as held for sale.
Events or circumstances may extend the sale completion period beyond one year. Extending the end-of-sale period does not prevent assets from being classified as held for sale if the delay was caused by events or circumstances beyond the Bank’s control, or if there is sufficient evidence that the Bank continues to implement the asset sale plan.
Non-current assets held by the Bank for sale are measured and recorded at the lowest of two valuations: book value or fair value less sales expenses.
As of the date of derecognition of items of non-current assets held for sale, the Bank recognizes profit/loss from the disposal of assets.

4.21. Lease
<u>Lease accounting when the Bank acts as a lessee</u>
The Bank acting as the lessee at the start date of the lease recognizes the right-of-use asset, which is the right to use the underlying asset, and the lease liability, which is the obligation to make lease payments.
The Bank evaluates the lease agreement (hereinafter referred to as the lease agreement) as a whole or certain components as a lease agreement, if the following criteria are met simultaneously:
- the asset is identifiable;

- the lessee (hereinafter referred to as the lessee) is granted the right to receive almost all economic benefits during the term of use of the asset;
- the lessee is given the right to determine how the asset is used for a certain period in exchange for compensation;
- the lessor does not have a substantive right to substitute the asset during the period of its use.

When evaluating the identification of an item, the Bank evaluates the substantive right of the lessor to substitute the asset with an alternative asset during the lease term. A right is considered substantive if the lessor has a practical opportunity to substitute the asset in question and benefits economically from exercising its right to substitute it. Such an assessment is made at the time of conclusion of the agreement and should not take into account future events that are not considered probable during the validity period at the beginning of the agreement.

If the lessor has a substantive right to substitute the asset, such an agreement will not be considered a lease for accounting purposes, but will be a service agreement.

The Bank defines the lease term as a non-negotiable lease period together with:

- periods covered by the right to extend the lease, if the lessee is reasonably sure that it will take advantage of such an opportunity;
- periods covered by the right to terminate the lease if the lessee is reasonably sure that it will not take advantage of such an opportunity.

The Bank reviews the lease term if there has been a change in the non-negotiable lease period.

The Bank may apply a simplified method (it does not recognize an asset by the right of use and a lease liability in the balance sheet) for:

- short-term lease (12 months or less);

or

- a lease under which the underlying asset has a low value (amounting to USD 5,000 or less in UAH equivalent at the exchange rate of the National Bank of Ukraine effective on the start date of the lease, taking into account that such an asset would have been purchased new on the start date of the lease).

As of the start date of the lease, the lessee evaluates the right-of-use asset at cost.

The cost of the asset includes the amount of recognized lease liabilities, initial direct costs incurred and lease payments paid at or before the start date of the lease less lease incentive payments received, expenses to be incurred by the lessee for dismantling, moving, bringing the underlying asset to the condition required by the terms of the agreement.

At the start date of the lease, the lessee evaluates the lease liability at the current value of lease payments not paid on that date.

Lease payments included in the assessment of the lease liability include fixed payments (excluding value-added tax) less any lease incentives to be received, variable lease payments that depend on the index or rate, and amounts that are expected to be paid under liquidation value guarantees. Lease payments also include the price of executing the purchase option if there is sufficient confidence that the Bank will exercise the option, and the payment of lease termination penalties if the lease term reflects the lessee’s exercise of the possibility of terminating the lease.

After the start date of the lease, the lessee evaluates the asset by the right of use using the cost model, except when it applies any of the valuation models:

- If the lessee applies the fair value model described in IAS 40 Investment Property to its investment property, it also applies this fair value model to the right-of-use assets that meet the definition of investment property described in IAS 40 Investment Property.
- If the right-of-use assets are related to a class of fixed assets to which the lessee applies the revaluation model described in IAS 16 Fixed Assets, the lessee may choose to apply this revaluation model to all right-of-use assets that are related to this class of fixed assets.

After the start date of the lease the lessee evaluates the lease liability by

- increasing the book value in order to reflect the interest on the lease liability;
- reducing the book value in order to reflect the lease payments made; and
- revalue the carrying amount in order to reflect any revaluation or modification of the lease.

Lease accounting when the Bank acts as a lessor.

An asset that is subject to an operating lease is recognized in the Statement of Financial Position according to the type of asset and amortized on a straight-line basis over its useful life. Lease payments are recorded in the profit and loss account in full during the lease term using the straight-line method.

4.22. Derivative financial instruments measured at fair value with recognition of revaluation through profit/loss

The Bank initially evaluates derivatives at fair value. Transaction costs are recognized in the expense accounts at the time of their initial recognition.

Derivatives are recorded at the transaction date as claims for receipt of one asset and liabilities for delivery of another. The Bank shall offset the financial asset and financial liability and present a net amount in the Statement of Financial Position only if the Bank has a legally secured right to offset the recognized amounts and intends to either repay the liability on a net basis, or sell the asset and simultaneously repay the liability.

Further accounting of derivative financial instruments is carried out at fair value through profit/loss.

4.23. Funds raised

Funds raised by the Bank are funds raised from legal entities and individuals that are non-derivative financial liabilities. Initial recognition is made at fair value, and subsequent accounting is at amortized cost. For the use of funds, the Bank bears interest expenses reflected in the Income Statement.

4.24. Income tax

Current income tax and deferred income tax (deferred tax asset and deferred tax liability) are recognized in the financial statements as expenses or income, except for income tax accrued as a result of:

- ✓ revaluation of assets and other financial transactions recorded as an increase in equity;
- ✓ combination of enterprises by purchase.

In these financial statements, taxation is shown in accordance with the requirements of the legislation of Ukraine using tax rates and legislative regulations in force as of the reporting date. The income tax rate in 2020 was 18%.

The Bank recognizes the deferred tax asset and deferred tax liability for all temporary differences subject to reimbursement or deduction at the tax rate in effect in the reporting year.

4.25. The authorized capital

As of the date of state registration, the Bank reflects shares at cost (including transaction costs). Then, own-issue shares are recorded at cost price.

Share premium arises when the amount of funds deposited exceeds the par value of the issued shares. Gains and losses from the sale of own shares relate to the equity income.

The authorized capital of the Bank is formed from the funds of shareholders deposited as a result of their purchase of the Bank's shares, as well as at the expense of retained earnings. All shares of the Bank are registered.

4.26. Income and expenses on financial assets and liabilities

Income and expenses are recognized in accordance with the accrual principle. Income and expenses on financial instruments measured at amortized value are recognized in the interest income and expense accounts using the effective interest rate method.

Interest income and expenses on purchased (originated) impaired financial assets are calculated at an effective interest rate adjusted for credit risk, based on future expected cash flows, taking into account all the terms of the financial asset agreement and expected credit losses.

The method under which the Bank recognizes fee and commission income and expenses related to the provision and receipt of services depends on the nature of the service.

Fees and commissions that are considered an additional component of interest are included in the effective interest rate and recognized in interest income and expense accounts.

Fees and commissions for services provided in stages are recognized after the completion of each stage of the transaction, in the item "Fee and commission income and expenses".

Fees and commissions that are payable or received for regular services are also recognized during the period of service provision in the item "Fee and commission income and expenses".

Fees and commissions received for a contractual obligation to provide a financial guarantee are considered to be the fair value of that contractual obligation. The corresponding liability is further amortized over the term of the contractual obligation under the item "Fee and commission income" in the Income Statement.

4.27. Revaluation of foreign currency

Transactions in foreign currency are recorded in the presentation currency by converting the amount in foreign currency at the official exchange rate of hryvnia to foreign currencies as of the date of recognition of assets, liabilities, equity, income and expenses.

For each subsequent balance date after recognition:

- ✓ all monetary items in foreign currency are reflected in the financial statements at the official exchange rate of hryvnia to foreign currencies at each change in the official exchange rate;
- ✓ non-monetary items in foreign currency accounted for at cost are recorded at the official exchange rate of hryvnia to foreign currencies as of the transaction date;
- ✓ non-monetary items in foreign currency accounted for at fair value are recorded at the official exchange rate of hryvnia to foreign currencies as of the date of determination of their fair value.

Income and expenses (accrued, received, paid) in foreign currency are recorded at the official exchange rate of hryvnia to foreign currencies as of the date of their recognition.

The result of revaluation of assets and liabilities in foreign currency is shown in the item "Profit or loss from foreign currency revaluation" of the Income Statement.

The main exchange rates used to convert amounts in foreign currency were as follows:

Currency	At the end of the day December 31, 2020	At the end of the day December 31, 2019
643	0.3782	0.,3816
840	28.2746	23.6862
978	34.7396	26.4220

4.28. Offsetting of financial assets and financial liabilities

Offsetting of financial assets and financial liabilities followed by inclusion of only their net amount in the balance sheet is performed by the Bank only if it has a legally defined right to net recognized amounts and intends to make a calculation based on the net amount or simultaneously sell the asset and settle the liabilities.

4.29. Employee benefits and related deductions

Expenses for wages, unified social contribution, paid annual leave and sick leave, bonuses, as well as non-monetary remuneration are accrued in the year in which the relevant services were provided by the Bank employees.

The Bank has no legal or constructive obligation to make pension or other similar payments.

4.30. Main accounting estimates and judgments used in accounting policies

The Bank uses estimates and assumptions that affect the amounts of assets and liabilities reflected in the financial statements. Calculations and judgments are constantly evaluated and based on the management’s previous experience and other factors, including expectations of future events that are considered justified in the current circumstances. In addition to making judgments that involve accounting estimates, the Bank’s management also uses professional judgments when applying accounting policies. Professional judgments that have the most significant impact on the amounts reflected in the financial statements and estimates that may result in significant adjustments to the carrying amount of assets and liabilities over the next financial year include:

- ✓ losses from loan and receivables impairment. The Bank regularly analyzes its loan portfolios to assess impairment. When determining whether impairment losses should be reflected in the Income Statement, the Bank uses assumptions about whether data is available indicating a decrease in expected future cash flows from the loan portfolio, which can be measured before this decrease can be compared with a specific asset in that portfolio. Such signs may include the existing data indicating negative changes in the solvency of group borrowers or national or local economic conditions that correlate with defaults on group assets. The management uses estimates based on previous loss experience for assets with credit risk characteristics and objective signs of impairment similar to this portfolio when determining future cash flows. The methodology and assumptions used to estimate both the timing and amounts of future cash flows are regularly reviewed to reduce any difference between the loss estimate and actual loss experience;
- ✓ tax legislation. The tax, currency and customs legislation of Ukraine provides for the possibility of different interpretations;
- ✓ initial recognition of related party transactions. In the course of normal operations, the Bank performs related party transactions. IFRS 9 requires financial instruments to be accounted for at initial recognition at fair value. In the absence of an active market for such transactions, professional judgments are used to determine whether such transactions were carried out at market or non-market rates. Such judgments are based on pricing for similar types of transactions with unrelated parties and analysis of the effective interest rate.

Note 5: New and revised standards that have not entered into force

The Bank has applied the following new interpretations, amendments to the standards, including the resulting amendments to other standards, with the initial application date of January 1, 2020 in the preparation of these financial statements.

Amendments to IFRS 3 - Definition of a business

In October 2018, the IAS Board issued amendments to IFRS 3 “Business combinations” that changed the definition of the term “business”" and help organizations determine whether an purchased set of activities and assets is a business. These amendments clarify the minimum business requirements, including an assessment of whether market participants are able to replace any missing resources or processes and continue the initial implementation of activities. The amendments provide additional guidance to help organizations assess whether the purchased process is meaningful, narrow down the definitions of "business" and "return", and introduce an optional fair value concentration test that allows for a simplified analysis whether the purchased set of activities and assets is not a business. These amendments did not affect the Bank's financial statements, as it does not have operations where the Bank gains joint control.

Interest rate benchmark reform: amendments to IFRS 9, IAS 39, IFRS 7

The amendments relate to interest rates such as LIBOR, EURIBOR, and IBOR used in various financial instruments. They include a number of exemptions that apply to all hedging relationships that are directly affected by the interest rate benchmark reform. These amendments provide for a temporary exemption from applying special hedging accounting requirements to hedging relationships that are directly affected by the IBOR reform. Accounting for hedged cash flows in accordance with IFRS 9 and IAS 39 requires that future hedged cash flows be 'highly probable'. If these cash flows depend on IBOR rates, the exemption provided for in these amendments requires the Bank to assume that the base interest rate on hedged cash flows will not change as a result of the reform. IAS 39 and IFRS 9 require a forward-looking valuation to apply hedge accounting. Currently, it is expected that the cash flows based on IBOR and alternative IBOR rates are generally equivalent that minimizes any inefficiency. However, this fact may not correspond to reality in the future.
These amendments did not affect the Bank's financial statements.

Amendments to IAS 1 and IAS 8 Determination of materiality

In October 2018, the IAS Board issued amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors". These amendments agree on the determination of materiality in various standards and clarify some aspects of it. According to the new definitions, information is material and therefore relevant if it can be reasonably expected that its omission, creation or disguise will affect the decisions of the main users of general-purpose financial statements made by them on the basis of these financial statements, which provide financial information about a particular reporting organization. The Bank evaluates materiality in the context of financial statements in general. These amendments did not significantly affect the Bank's financial statements.

Lease accounting related to the COVID-19 pandemic amendments to IFRS 16.

In May 2020, the IAS Board issued an amendment to IFRS 16 "Lease concessions related to the COVID-19 pandemic". According to these concessions, lessees are allowed to apply a practical technique and not assess whether lease concessions related to COVID-19 are a modification. A lessee who applies this practical technique considers such lease concessions as if they are not a modification. No changes are provided for lessors.
The Bank has applied an amendment to IFRS 16 Lease concessions related to the COVID-19 pandemic that provides lessors with an exemption from assessing whether preferential leases related to COVID-19 are a modification of leases. These concessions did not have a significant impact on these financial statements.

Amendments in references to the Conceptual Framework in IFRS

The Conceptual Framework helps companies develop their own accounting policies, unless IFRS explicitly specifies the accounting procedure for a particular transaction, and all users of financial statements generally have a better understanding of international standards. The new conceptual framework for financial statements contains a new section on measurements, a guide to preparing income statements, refined definitions (in particular, definitions of liabilities), clarification in a number of important areas such as stewardship, prudence and uncertainty of measurements in financial statements. These amendments did not affect the Bank's financial statements.
Separate new standards and interpretations have been published that will be mandatory for the Bank to apply in annual periods starting from January 1, 2021 and further, and that the Bank has not previously applied.
The Bank plans to apply these innovations in the reporting period when they come into force.

IFRS 17 Insurance contracts

In May 2017, the IAS Board issued IFRS 17 "Insurance contracts", a new financial statement standard for insurance contracts that addresses the issues of recognition and evaluation, presentation and disclosure.
IFRS 17 replaces IFRS 4 that allowed companies to keep records of insurance contracts using national accounting standards. IFRS 17 applies to all types of insurance contracts (i.e. life insurance and insurance other than life insurance, direct insurance and reinsurance), regardless of the type of organization that issues them, as well as certain guarantees and financial instruments with conditions of discretionary participation.
The main purpose of IFRS 17 is to provide an insurance contract accounting model that is more efficient and consistent for insurers. This standard provides a comprehensive model for accounting for insurance contracts, covering all relevant aspects of accounting. IFRS 17 is based on a general model supplemented by the following:

- ✓ There are certain modifications for insurance contracts with direct participation in investment income (variable remuneration method).
- ✓ A simplified approach (premium-based approach) mainly for short-term contracts.

IFRS 17 is valid for annual accounting periods beginning on or after January 1, 2023 , with the possibility of early application. It is applied retrospectively if possible, otherwise a modified retrospective approach should be applied. The draft of Amendments to IFRS 17 covers issues and implementation difficulties that were identified after the release of IFRS 17. In this regard, the date of official entry into force of the standard was postponed until January 1, 2023 (initially - from January 1, 2021). The Bank's management does not expect that the application of this standard will affect the financial statements, since the Bank's activities are not within its scope.

Amendments to IAS 1 Classification of liabilities as current or non-current (within the framework of the project for annual improvements to IFRS cycles 2010-2012).

On January 23, 2020, the IAS Board issued amendments to IAS 1 "Presentation of financial statements" regarding the classification of current and non-current liabilities.
Amendments to IAS 1 specify that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period, i.e. a non-current liability is an obligation for which at the end of the reporting period the company has a valid right to postpone settlement for at least twelve months. The amendments specify that the classification of liabilities is not affected by expectations as to whether a company will enjoy this right to defer repayment of the liability, nor by the form in which the settlement is expected (funds, equity instruments, other

assets or services, etc.). The amendments only affect the presentation of liabilities in the Statement of Financial Position, and not the amount or timing of recognition of any asset, income or expense under the liability, or disclosure of information.
The amendments clarify, rather than modify, the existing requirements and are not expected to have a significant impact on companies' financial statements. However, they may cause companies to reclassify some liabilities from current to non-current and vice versa; this may affect the company's loan agreements.
The amendments will take effect for annual accounting periods beginning on or after January 1, 2022 and should be applied retrospectively. Early application is acceptable. The Bank's management does not expect that the application of these amendments may affect the Bank's financial statements in the future.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 Interest rate benchmark reform - phase 2
The International Accounting Standards Board has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising from the interest rate benchmark reform, including replacing one benchmark with an alternative one. Given the significant prevalence of agreements and contracts based on the IBOR standard, these benefits can affect companies in all industries. The amendments come into force for annual reporting periods beginning on or after January 1, 2021, with the possibility of early application.

Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
The amendments address the contradiction between IFRS 10 and IAS 28 in terms of accounting for the loss of control over a subsidiary that is sold to or contributed to an associate or joint venture. The amendments clarify that gains or losses arising from the sale or contribution of assets representing a business, as defined in IFRS 3, are fully recognized in an agreement between an investor and its associate or joint venture. However, gains or losses resulting from the sale or contribution of assets that do not constitute a business are recognized only within the limits of shares held by others other than the investor's company in an associate or joint venture. In other words, the main consequence of these amendments is the recognition of full profit or loss if the transaction is related to a business (regardless of whether it is located in a subsidiary or not). Partial profit or loss is recognized when the transaction affects assets that do not represent a business, even if these assets are located in a subsidiary. The IASB has postponed the date of entry into force of this amendment indefinitely, but early application is allowed in the future.

Annual improvements to IFRS, 2018-2020 cycle
The list of amendments includes amendments to 3 standards, as well as improvements of the Board in the form amendments that clarify the wording or eliminate inconsistencies, omissions or contradictions between the requirements in the standards.

- ✓ The International Accounting Standards Board (IASB) has published "References to the conceptual framework (amendments to IFRS 3)" as amended by IFRS 3 "Business combinations" updating the outdated references in IFRS 3 without significantly changing the accounting requirements when combining businesses.
- ✓ Amendments to IAS 16 "Fixed assets" that regulate the value of fixed assets and prohibit the deduction from their value of amounts received from the sale of goods produced during the preparation of the asset for its intended use. Instead, these sales revenues and related expenses are recognized as profit or loss.
- ✓ The amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" amend the standard for expenses that a company must include as contract performance

costs when assessing whether a contract is onerous. The amendments define that the “cost of performance” of a contract includes “costs that are directly related to the contract”. Expenses directly related to the contract can be either additional expenses for the performance of this contract (examples include direct expenses for labor and materials), or distribution of other expenses directly related to the performance of the contract (an example is the distribution of depreciation charges for an item of fixed assets used to perform the contract).

- ✓ Annual improvements make minor amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, illustrative examples accompanying IFRS 16 “Leases” of IAS 41 “Agriculture”.

The Bank’s management does not expect that the above-mentioned new standards, amendments to standards and interpretations will have a significant impact on financial statements of the Bank.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Cash	246 097	270 779
2	Cash at the National Bank of Ukraine (except for reserve requirement)	31 521	19 644
3	Correspondent accounts with banks of	141 288	53 237
3.1	Ukraine	140 302	53 212
4	**Total cash and cash equivalents**	**418 906**	**343 660**

Table 6.2. Analysis of changes in the book value of cash and cash equivalents

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Book value at the beginning of the period	343 660	342 636
2	Exchange differences	84 498	(39 230)
3	Other changes	(9 252)	40 254
4	**Book value at the end of the reporting period**	**418 906**	**343 660**

Table 6.3 Analysis of the credit quality of cash and cash equivalents

(thousand UAH)

Line	Rating	31 December 2020	31 December 2019
1	High rating	418 906	343 660
2	**Total cash and cash equivalents**	**418 906**	**343 660**

Note 7. Loans and receivables

Table 7.1. Loans and receivables

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Loans and receivables accounted for at amortized cost	665 546	411 555
2	**Total loans and receivables less provisions**	**665 546**	**411 555**

Table 7.2. Loans and receivables accounted for at amortized cost

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Loans to legal entities, incl.	588 120	327 932
1.1	*loans for current activities*	587 056	324 978
1.2	*purchased impaired loans for current activities*	1 053	2 952
1.3	*overdraft loans*	11	2
2	Loans to individuals, incl.	151 757	139 870
2.1	*personal loans*	11 370	9 300
2.2	*overdraft loans*	1 176	1 109
2.3	*purchased impaired loans*	21 010	29 488
2.4	*mortgage to individuals*	118 201	99 973
3	Provision for loans to clients accounted for at amortized cost	(74 331)	(56 247)
4	**Total loans and receivables accounted for at amortized cost**	**665 546**	**411 555**

Table 7.3. Analysis of the credit quality of loans and receivables accounted for at amortized cost for 2020

(thousand UAH)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased impaired assets	Total
1	Loans and receivables	590 476	23 504	103 834	22 063	739 877
2	Provisions for loans and receivables impairment	(5 784)	(1 496)	(61 991)	(5 060)	(74 331)
3	**Total loans and receivables at their cost**	**584 692**	**22 008**	**41 843**	**17 003**	**665 546**

Table 7.4. Analysis of the credit quality of loans and receivables accounted for at amortized cost for 2019

(thousand UAH)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased impaired assets	Total
1	Loans and receivables	288 295	47 952	99 115	32 440	467 802
2	Provisions for loans and receivables impairment	(4 714)	(1 095)	(47 603)	(2 835)	(56 247)
3	**Total loans and receivables at their cost**	**283 581**	**46 857**	**51 512**	**29 605**	**411 555**

Table 7.5. Analysis of changes in the provisions for impairment of loans and receivables accounted for at amortized cost for 2020

(thousand UAH)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased impaired assets	Total
1	Provisions for impairment at the beginning of the period	(4 714)	(1 095)	(47 603)	(2 835)	(56 247)
2	Purchased/originated financial assets	(3 373)	(1 290)	(124)	(965)	(5 752)
3	Financial assets derecognized or repaid (other than those written off)	2 290	126	1 637	506	4 559
4	Total profit or loss from transfer between stages:	142	763	(1 103)	-	(198)
4.1	*transfer to the stage 1*	*(61)*	*954*	-	-	*893*

4.2	*transfer to the stage 2*	*16*	*(206)*	*-*	*-*	*(190)*
4.3	*transfer to the stage 3*	*187*	*15*	*(1 103)*	*-*	*(901)*
5	Adjustment of interest income at amortized cost	-	1	(5 857)	(314)	**(6 170)**
6	Write-off of financial assets against the provisions	-	-	5	564	**569**
7	Other changes	(130)	-	(8 945)	(2 017)	**(11 092)**
8	**Provisions for impairment at the end of the period**	**(5 785)**	**(1 495)**	**(61 990)**	**(5 061)**	**(74 331)**

Table 7.6. Analysis of changes in the provisions for impairment of loans and receivables accounted for at amortized cost for 2019

(thousand UAH)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased impaired assets	Total
1	**Provisions for impairment at the beginning of the period**	**(6 290)**	**(3 954)**	**(58 673)**	**(4 403)**	**(73 320)**
2	Purchased/originated financial assets	(3 675)	(1 081)	(266)	(141)	(5 163)
3	Financial assets derecognized or repaid (other than those written off)	2 076	177	24 936	1 179	28 368
4	Total profit or loss from transfer between stages:	3 321	1 147	(7 420)	-	(2 952)
4.1	*transfer to the stage 1*	*3 231*	*-*	*-*	*-*	*3 231*
4.2	*transfer to the stage 2*	*-*	*(14)*	*12*	*-*	*2*
4.3	*transfer to the stage 3*	*90*	*1 161*	*(7 432)*		*(6 181)*
5	Adjustment of interest income at amortized cost	(146)		(6 180)	(210)	(6 536)
6	Change of conditions (modification) not resulting in derecognition	-	-	-	-	-
7	Change in parameters / models used to estimate expected credit losses	-	-	-	-	-
8	Write-off of financial assets against the provisions	-	2 616	-	740	3 356
9	**Provisions for impairment at the end of the period**	**(4 714)**	**(1 095)**	**(47 603)**	**(2 835)**	**(56 247)**

Table 7.7. Analysis of changes in book value due to impairment of loans and receivables accounted for at amortized cost for 2020

(thousand UAH)

Line	Item	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
1	Book value at the beginning of the period	288 295	47 952	99 115	32 440	467 802
2	Purchased/originated financial assets	412 391	22 733	124	7 189	442 437
3	Financial assets derecognized or repaid (other than those written off)	(150 101)	(446)	(15 723)	(20 726)	(186 996)
4	Transfer to the stage 1	49 524	(47 485)	(670)	-	1 369
5	Transfer to the stage 2	(759)	772	61	-	74
6	Transfer to the stage 3	(10 154)	(22)	8 289	-	(1 887)
7	Write-off of financial assets against the provisions	-	-	(5)	(564)	(569)
8	Other changes	1 280	-	13 207	3 160	17 647
9	**Book value at the end of the reporting period**	**590 476**	**23 504**	**104 398**	**21 499**	**739 877**

Table 7.8. Analysis of changes in book value due to impairment of loans and receivables accounted for at amortized cost for 2019

(thousand UAH)

Line	Item	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total
1	Book value at the beginning of the period	286 406	26 169	93 191	33 904	439 670
2	Purchased/originated financial assets	155 513	47 935	2 900	10 069	216 417
3	Financial assets derecognized or repaid (other than those written off)	(78 266)	(181)	(24 936)	(10 510)	(113 893)
4	Transfer to the stage 1	(61 544)	-	-	-	(61 544)
5	Transfer to the stage 2	-	17	13	-	30
6	Transfer to the stage 3	(13 814)	(7 305)	27 946	-	6 827
7	Change of conditions (modification) not resulting in derecognition	-	-	-	-	-
8	Write-off of financial assets against the provisions	-	(18 682)	-	(1 023)	(19 705)
9	Other changes	-	-	-	-	-
10	**Book value at the end of the reporting period**	**288 295**	**47 952**	**99 115**	**32 440**	**467 802**

Table 7.9. The structure of loans by type of economic activity

(thousand UAH)

Line	Type of economic activity	31 December 2020		31 December 2019	
		amount	%	amount	%
1	Real estate, leasing, engineering and provision of services	106 678	14	24 876	5
2	Provision of financial services other than insurance and pension funding	85 275	12	11 537	3
3	Production (except for production and distribution of electricity, gas and water)	127 102	17	75 151	16
4	Sale, maintenance and repair of motor vehicles, household goods and personal items	46 039	6	21 735	5
5	Agriculture, hunting, forestry	11 620	2	8 360	2
6	Construction	48 446	7	69 185	15
7	Warehousing and support activities in the field of transport	45 802	6	40 526	8
8	Supply of electricity, gas, steam and air conditioning	84 875	12	55 487	12
9	Other	32 283	4	21 075	4
10	Individuals	151 757	20	139 870	30
11	**Total loans and receivables without provisions**	**739 877**	**100**	**467 802**	**100**

Table 7.10. Information on loans by type of collateral for 2020

(thousand UAH)

Line	Item	Loans to legal entities	Purchased impaired loans of		Mortgage to individuals	Personal loans	Overdraft loans	**Total**
			legal entities and private entrepreneurs	individuals				
1	Unsecured loans	4 280	-	351	87 429	1 898	1 176	**95 134**
2	Loans secured by	582 787	1 053	20 659	30 772	9 472	-	**644 743**
2.1	*cash*	*9 714*	-	-	-	*46*	-	***9 760***
2.2	*real estate*	*164 802*	*1 053*	*20 659*	*30 772*	*9 426*		***226 712***
2.2.1	*incl. for residential purposes*	*7 604*	*325*	*15 184*	*30 772*	*7 678*	-	***61 563***
2.3	*other assets*	*408 271*	-	-	-	-	-	***408 271***

3	**Total loans and receivables without provisions**	**587 067**	**1 053**	**21 010**	**118 201**	**11 370**	**1 176**	**739 877**

Table 7.11. Information on loans by type of collateral for 2019

(thousand UAH)

Line	Item	Loans to legal entities	Purchased impaired loans of		Mortgage to individuals	Personal loans	Overdraft loans	**Total**
			legal entities and private entrepreneurs	individuals				
1	Unsecured loans	843	-	2 233	75 025	1 724	1 109	**80 934**
2	Loans secured by	324 137	2 952	27 255	24 948	7 576	-	**386 868**
2.1	*cash*	10 519	-	-	-	101	-	**10 620**
2.2	*real estate*	126 396	2 952	27 255	24 948	7475	-	**189 026**
2.2.1	*incl. for residential purposes*	14 325	191	15 856	24 948	6 321	-	**61 641**
2.3	*other assets*	187 222	-	-	-	-	-	**187 222**
3	**Total loans and receivables without provisions**	**324 980**	**2 952**	**29 488**	**99 973**	**9 300**	**1 109**	**467 802**

Table 7.12. The impact of the collateral value on the credit quality for 2020

(thousand UAH)

Line	Item	Book value of loans	Expected cash flows from sale of the collateral	Impact of the collateral
1	Loans to legal entities	587 067	505 706	81 361
2	Purchased impaired loans of	22 063	19 375	2 688
2.1	*legal entities and private entrepreneurs*	*1 053*	*850*	*203*
2.2	*Individuals*	*21 010*	*18 525*	*2 485*
3	Mortgage to individuals	118 201	30 386	87 815
4	Personal loans	11 370	9 242	2 128
5	Overdraft loans	1 176	-	1 176
6	**Total loans**	**739 877**	**564 709**	**175 168**

Table 7.13. The impact of the collateral value on the credit quality for 2019

(thousand UAH)

Line	Item	Book value of loans	Expected cash flows from sale of the collateral	Impact of the collateral
1	Loans to legal entities	324 980	283 628	41 352
2	Purchased impaired loans of	32 440	27 788	4 652
2.1	*legal entities and private entrepreneurs*	*2 952*	*2 951*	*1*
2.2	*Individuals*	*29 488*	*24 837*	*4 651*
3	Mortgage to individuals	99 973	23 692	76 281
4	Personal loans	9 300	7 533	1 767
5	Overdraft loans	1 109	-	1 109
6	**Total loans**	**467 802**	**342 641**	**125 161**

The Bank mainly uses the comparative method to assess the collateral.

Note 8. Investments in securities

Table 8.1. Investments in securities

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Securities accounted for at amortized cost	600 168	756 233
2	Securities accounted for at fair value through other comprehensive income	1 047 293	24 097
3	**Total securities**	**1 647 461**	**780 330**

Table 8.2. Investments in securities accounted for at amortized cost

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Deposit certificates of the National Bank of Ukraine	600 168	756 233
2	**Total investments in securities less provisions**	**600 168**	**756 233**

Table 8.3. Investments in securities accounted for at fair value through other comprehensive income

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Government bonds	1 047 293	24 097
2	**Total investments in securities less provisions**	**1 047 293**	**24 097**

Table 8.4. Analysis of the credit quality of investments in securities for 2020

(thousand UAH)

Line	Item	Stage 1	Total
1	**Deposit certificates of the National Bank of Ukraine accounted for at amortized cost**		
	Lowest credit risk	600 168	600 168
2	**Government bonds accounted for at fair value through other comprehensive income**		
	Lowest credit risk	1 047 293	1 047 293

Table 8.5. Analysis of the credit quality of investments in securities for 2019

(thousand UAH)

Line	Item	Stage 1	Total
1	**Deposit certificates of the National Bank of Ukraine accounted for at amortized cost**		
	Lowest credit risk	756 233	756 233
2	**Government bonds accounted for at fair value through other comprehensive income**		
	Lowest credit risk	24 097	24 097

Note 9. Fixed assets and intangible assets

Table 9.1. Fixed assets and intangible assets

(thousand UAH)

Line	Item	Buildings, structures and transmitting devices	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Incomplete capital investments in fixed assets and intangible assets	Intangible assets	Right-of-use assets	**Total**
1	**Book value as of December 31, 2018**	**4 386**	**3 546**	**1 242**	**2 470**	**748**	**501**	**2 658**	**2 426**	-	**17 977**
1.1	**original (revalued) cost**	**4 642**	**4 554**	**2 168**	**3 814**	**905**	**2 390**	**2 658**	**3 734**	-	**24 865**
1.2	**depreciation as of December 31, 2018**	**(256)**	**(1 008)**	**(926)**	**(1 344)**	**(157)**	**(1 889)**	**-**	**(1 308)**	-	**(6 888)**
2	Acquisition	-	1797	399	1238	498	840	8273	1302	18 795	33 142
3	Capital investments for completion of fixed assets and improvement of	245	-	-	16	104	129	-	497	-	991

	intangible assets										
4	Disposal	-	-	-	(32)	(107)	(27)	(6 319)	-	-	(6 485)
5	Depreciation / Amortization	(70)	(648)	(310)	(568)	(68)	(547)	-	(353)	-	(2 564)
6	Disposal	-	-	(29)	-	-	-	(6740)	-	-	(6769)
6.1	Depreciation / Amortization	(95)	(1061)	(321)	(846)	(146)	(921)		(493)	(5 694)	(9 577)
6.2	**Book value as of December 31, 2019**	**4 536**	**4 282**	**1 291**	**2 878**	**1 204**	**549**	**4 191**	**3732**	**13 101**	**35 764**
7	**original (revalued) cost**	**4 887**	**6 348**	**2 476**	**5 068**	**1 507**	**3 330**	**4 191**	**5 533**	**18 795**	**52 135**
8	**depreciation as of December 31, 2019**	**(351)**	**(2 066)**	**(1 185)**	**(2 190)**	**(303)**	**(2 781)**	**-**	**(1 801)**	**(5 694)**	**(16 371)**
9	Acquisition	-	2 056	-	667	1 080	3 060	8 705	24	18 547	34 139
	Capital investments for completion of fixed assets and improvement of intangible assets	-	1 291	-	-	104	22	-	4 874	-	6 291
10	Disposal	-	-	-	(1)	(114)	(284)	(12 318)	-	(256)	(12 973)
11	Depreciation / Amortization	(114)	(1 370)	(354)	(959)	(251)	(1 620)	-	(925)	(16 457)	(22 050)
12	**Book value as of December 31, 2020**	4 422	6 259	937	2 585	2 023	1 727	578	7 705	14 935	41 171
12.1	**original (revalued) cost**	4 887	9 692	2 476	5 600	2 549	5 452	578	10 431	25 942	67 607
12.2	**depreciation as of December 31, 2020**	(465)	(3 433)	(1 539)	(3 015)	(526)	(3 725)	-	(2 726)	(11 007)	(26 436)

The book value of fully depreciated FA and IA as of 31.12.2020 is UAH 4,147 thousand.

Note 10. Other financial and other assets

Table 10.1. Other financial and other assets

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Accounts receivable from transactions with banks	642	636
2	Accounts receivable from transactions with payment cards	108	213
3	Other accrued income	600	761
4	Cash that ensure the financial security of payment card transactions	2 188	2 096
5	Cash in the bank wound up upon the creditor's claim	-	387
6	Accounts receivable from purchase of assets	771	1 680
7	Accounts receivable for services	626	670
8	Pre-paid expenses	2 670	2 513
9	Assets held for sale	69	97 377
10	Property transferred to the ownership of the Bank as a pledgee	83 277	0
11	Accrued lease revenue	12 539	9 388
12	Accounts receivable from bank guarantee transactions	96	96
13	Other financial assets	1 277	1 307
14	**Provisions for other assets, incl.**	**(13 330)**	**(10 936)**
14.1	Provisions for other accrued income	(470)	(605)
14.2	Provisions for accounts receivable from bank guarantee transactions	(96)	(96)
14.3	Provisions for cash in the bank wound up upon the creditor's claim	-	(387)
14.4	Provisions for accounts receivable for services	(61)	(277)
14.5	Provisions for accounts receivable from purchase of assets	(106)	(115)
14.6	Provisions for accrued lease revenue	(12 529)	(9 388)
14.7	Provisions for other financial assets	(68)	(68)
15	**Total other assets less provisions**	**91 533**	**106 188**

Table 10.1.1 Assets held for sale

(thousand UAH)

	Apartments	Residential buildings	Land plots	Non-residential premises	Equipment	Goods for sale	**Total**
Value as of December 31, 2019	**2 248**	**19 171**	**10 727**	**44 062**	**11 028**	**10 141**	**97 377**
Acquisition	446	-	69	667	-	-	**1 182**
Sale	(987)	(6 100)	(1 201)	(4 984)	-	-	**(13 272)**
Write down	-	(741)	-	-	-	-	**(741)**
Transferred to other assets	(1 707)	(12 330)	(9 526)	(39 745)	(11 028)	(10 141)	**(84 477)**
Value as of December 31, 2020	-	-	69	-	-	-	**69**

Table 10.1.2 Property transferred to the ownership of the Bank as a pledgee

(thousand UAH)

	Apartments	Residential buildings	Land plots	Non-residential premises	Equipment	Goods for sale	**Total**
Value as of December 31, 2019	-	-	-	-	-	-	-
Transferred to other assets	1 707	12 330	9 526	39 745	11 028	10 141	**84 477**
Sale	-	-	-	(1 200)	-	-	**(1 200)**
Value as of December 31, 2020	**1 707**	**12 330**	**9 526**	**38 545**	**11 028**	**10 141**	**83 277**

Table 10.2 Analysis of changes in the provision for impairment of other assets and other financial assets for 2020

(thousand UAH)

Line	Flow of provisions	Other accrued income	Other financial assets	Accounts receivable from bank guarantee transactions	Cash in the bank wound up upon the creditor's claim	Accounts receivable from purchase of assets	Accounts receivable for services	Lease	Total
1	**Balance as of December 31, 2019**	**(605)**	**(68)**	**(96)**	**(387)**	**(115)**	**(277)**	**(9 388)**	**(10 936)**
2	Increase / (decrease) in the provision for impairment during the period	(10)	-	-	-	9	216	(3 141)	(2 926)
3	Write-off against the provisions	145	-	-	387	-	-	-	532
4	**Balance as of December 31, 2020**	**(470)**	**(68)**	**(96)**	**-**	**(106)**	**(61)**	**(12 529)**	**(13 330)**

Table 10.3 Analysis of changes in the provision for impairment of other assets and other financial assets for 2019

(thousand UAH)

Line	Provision flow	Other accrued income	Other financial assets	Accounts receivable from bank guarantee transactions	Cash in the bank wound up upon the creditor's claim	Accounts receivable from purchase of assets	Accounts receivable for services	Lease	Accounts receivable of PJSC "Terra Bank"	Total
1	**Balance as of December 31, 2018**	**(594)**	**-**	**-**	**(387)**	**(121)**	**(186)**	**(4 267)**	**-**	**(5 555)**
2	Increase / (decrease) in the provision for impairment during the period	(64)	(68)	(96)	-	6	(102)	(5 121)	(41 269)	(46 714)
3	Write-off against the provisions	53	-	-	-		11	-	41 269	41 333
4	**Balance as of December 31, 2019**	**(605)**	**(68)**	**(96)**	**(387)**	**(115)**	**(277)**	**(9 388)**	**-**	**(10 936)**

Table 10.4. Analysis of credit quality of items of other assets for 2020

(thousand UAH)

Line	Item	No risk	Lowest credit risk	Low credit risk	Average credit risk	High credit risk	Toxic assets	**Total**
1	Accounts receivable from transactions with banks	-	642	-	-	-	-	**642**
2	Accounts receivable for transactions through the software and hardware for self-service - ATMs	108	-	-	-	-	-	**108**
3	Other accrued income	-		109	5	11	475	**600**
4	Cash that ensure the financial security of payment card transactions	-	2 188	-	-	-	-	**2 188**
5	Accounts receivable from purchase of assets	-	-	220	-	45	506	**771**
6	Accounts receivable for services	-	-	257	8	112	249	**626**
8	Pre-paid expenses	2 670	-	-	-	-	-	**2 670**
9	Assets held for sale	69	-	-	-	-	-	**69**
10	Property transferred to the ownership of the Bank as a pledgee	83 277						**83 277**
11	Lease	-	-	10	-	-	12 529	**12 539**
12	Accounts receivable from bank guarantee transactions	-	-	-	-	-	96	**96**
13	Other assets	523	-	754	-	-	-	**1 277**

Table 10.5. Analysis of credit quality of items of other assets for 2019

(thousand UAH)

Line	Item	No risk	Lowest credit risk	Low credit risk	Average credit risk	High credit risk	Toxic assets	**Total**
1	Accounts receivable from transactions with banks		636	-	-	-	-	**636**
2	Accounts receivable for transactions through the software and hardware for self-service - ATMs	213	-	-	-	-	-	**213**
3	Other accrued income	-	-	135	14	22	590	**761**
4	Cash that ensure the financial security of payment card transactions	-	2 096	-	-	-	-	**2 096**
5	Accounts receivable from purchase of assets	-	-	1 564	-	1	115	**1 680**
6	Accounts receivable for services	-	-	285	25	176	184	**670**
7	Cash in the bank wound up upon the creditor's claim		-	-	-	-	387	**387**
8	Pre-paid expenses	2 513	-	-	-	-	-	**2 513**
9	Assets held for sale	97 377	-	-	-	-	-	**97 377**
10	Lease	-	-	-	-	-	9 388	**9 388**
11	Accounts receivable from bank guarantee transactions	-	-	-	-	-	96	**96**
12	Other assets	553	-	754	-	-	-	**1307**

Note 11. Client deposits

Table 11.1. Client deposits

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Legal entities, incl.	1 598 049	985 419
1.1	current accounts	603 952	673 022
1.2	time deposits	979 921	305 825
1.3	cash on dormant accounts	97	14
1.4	uncleared balances	14 079	6 558
2	Individuals, incl.	484 433	369 641
2.1	current accounts	149 590	109 737
2.2	time deposits	312 785	220 820
2.3	cash on dormant accounts	22 058	22 078
2.4	uncleared balances	-	17 006
3	**Total client deposits**	**2 082 482**	**1 355 060**

Table 11.2. Distribution of client deposits by type of economic activity

(thousand UAH)

Line	Type of economic activity	31 December 2020		31 December 2019	
		amount	%	amount	%
1	Individuals	484 433	23	369 641	27
2	Real estate, leasing, engineering and provision of services	180 652	9	37 799	3
3	Sale, maintenance and repair of motor vehicles, household goods and personal items	76 523	4	45 998	3
4	Agriculture, hunting, forestry	4 447	-	4 315	-
5	Construction of buildings, structures, specialized construction works	184 414	9	102 686	8
6	Provision of financial services other than insurance and pension funding	414 101	20	360 290	27
7	Support activities to financial services and	37 307	2	51 749	4

	insurance				
8	Production	408 176	20	120 646	9
9	Electricity, gas, and steam supply, water intake, purification and supply	23 118	1	74 702	5
10	Provision of other personalized services	15 001	1	63 713	5
11	Other	254 310	11	123 521	9
12	**Total client deposits**	**2 082 482**	**100**	**1 355 060**	**100**

As of December 31, 2020, the client deposits of legal entities and individuals raised by the Bank were executed as the collateral for active operations, namely:

- ✓ deposits of individuals - UAH 10,813 thousand;
- ✓ deposits of legal entities - UAH 32,311 thousand.

As of December 31, 2019, the cash raised by the Bank from clients - legal entities and individuals - were executed as the collateral for active operations, namely:

- ✓ deposits of individuals - UAH 11,383 thousand;
- ✓ deposits of legal entities - UAH 23,923 thousand.

Note 12. Provisions for liabilities

Table 12.1. Changes in provisions for liabilities

(thousand UAH)

Line	Provisions flow	Guarantees provided	Total
1	**Balance as at 31 December 2018**	**540**	**540**
2	Creation and/or increase of the provision	114	114
3	Effect of translation into the reporting currency	(1)	(1)
4	**Balance as at 31 December 2019**	**653**	**653**
5	Creation and/or increase of the provision	142	142
6	Effect of translation into the reporting currency	2	2
7	**Balance as at 31 December 2020**	**797**	**797**

Note 13. Other liabilities

Table 13.1. Other liabilities

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
	Accounts payable from transactions with payment cards	72 953	-
1	Accounts payable from transactions with payment cards	3 665	7 201
2	Accounts payable for payments received	1 725	10 154
3	Accounts payable for taxes and fees, except income tax	518	481
4	Security for vacation leave payments	7 319	6 706
5	Accounts payable for the sale of assets	7 313	1 932
6	Pre-paid income	588	367
7	Accounts payable for fees to the Individual Deposit Guarantee Fund	845	618
8	Accounts payable for services	526	350
9	Liabilities under foreign exchange swap contracts	8	685
10	Suspense account	-	60
11	Other	2 983	1 977
12	**Total**	**98 443**	**30 531**

Note 14. Authorized capital and issue profit or loss (issue income)

Table 14.1. Authorized capital and issue profit or loss (issue income)

(thousand UAH)

Line	Item	Number of outstanding shares (thousand pcs.)	Ordinary shares	Total (thousand UAH)
1	**Balance as at 31 December 2019**	**20 052,2**	**20 052,2**	**264 689**
2	**Balance as at 31 December 2020**	**20 052,2**	**20 052,2**	**264 689**

The number of issued and paid shares as of December 31, 2020 is 20,052,250 shares.

The nominal value of a share is UAH 13.20.

Note 15. Analysis of assets and liabilities by maturity

Table 15.1. Analysis of assets and liabilities by maturity

(thousand UAH)

Line	Item	Note	31 December 2020			31 December 2019		
			less than 12 months	more than 12 months	**Total**	less than 12 months	more than 12 months	Total
	ASSETS							
1	Cash and cash equivalents	6	418 906	-	**418 906**	343 660	-	**343 660**
2	Loans and receivables	7	234 841	430 705	**665 546**	192 042	219 513	**411 555**
3	Investments in securities	8	1 555 138	92 323	**1 647 461**	756 233	24 097	**780 330**
4	Current income tax receivable		-	-	**-**	1 527	-	**1 527**
5	Deferred tax assets		279	-	**279**	155	-	**155**
6	Fixed assets and intangible assets	9	1 198	25 039	**26 237**	221	22 442	**22 663**
7	Other assets	10	91 533	-	**91 533**	106 185	3	**106 188**
8	Right-of-use assets		-	14 934	**14 934**	931	12 170	**13 101**
9	**Total assets**		**2 301 895**	**563 001**	**2 864 896**	**1 413 788**	**265 391**	**1 679 179**
	LIABILITIES							
10	NBU loan		-	372 300	**372 300**			
11	Client deposits	11	2 081 395	1 087	**2 082 482**	1 331 374	23 686	**1 355 060**
	Current income tax payable		1 448	-	**1 448**			
12	Provisions for liabilities	12	784	13	**797**	637	16	**653**
13	Other liabilities	13	95 961	2 482	**98 443**	30 415	116	**30 531**
14	Lease (rent) liability		9 871	5 804	**15 675**	945	12 306	**13 251**
15	**Total liabilities**		**2 189 459**	**381 686**	**2 571 145**	**1 363 371**	**36 124**	**1 399 495**

Note 16. Interest income and expense

Table 16.1. Interest income and expense

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
	INTEREST INCOME ON FINANCIAL ASSETS ACCOUNTED FOR AT AMORTIZED COST		
1	Loans and receivables	102 290	79 200
2	Interest income on deposit certificates of the National Bank of Ukraine	61 161	84 059
3	Cash in other banks	620	2 987
4	Correspondent accounts with other banks	2	87
	INTEREST INCOME ON FINANCIAL ASSETS ACCOUNTED FOR AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		

5	Interest income on debt securities refinanced by the National Bank	25 976	5 921
6	**Total interest income**	**190 049**	**172 254**
	INTEREST INCOME ON FINANCIAL LIABILITIES ACCOUNTED FOR AT AMORTIZED COST		
7	Time deposits of legal entities	(12 786)	(9 527)
8	Time deposits of individuals	(23 452)	(17 817)
9	Current accounts	(19 021)	(18 330)
10	Interest expenses on other loans obtained from the National Bank of Ukraine through refinancing	(8 548)	-
11	Overnight loans received from banks	(3)	(37)
12	Interest expense on the lessee's lease liability	(2 525)	(1 582)
13	**Total interest expenses**	**(66 335)**	**(47 293)**
14	**Net interest income/(expenses)**	**123 714**	**124 961**

Note 17. Fee and commission income and expenses

Table 17.1. Fee and commission income and expenses

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
	FEE AND COMMISSION INCOME		
1	Settlement and cash transactions	66 177	60 967
2	Securities trading	63	33
3	Guarantees provided	2 059	2 265
4	Transactions in the foreign exchange market and the banking metals market for clients	7 248	3 761
5	Other	3 541	1 693
6	**Total fee and commission income**	**79 088**	**68 719**
	FEE AND COMMISSION EXPENSES		
7	Settlement and cash transactions	(7 510)	(5 205)
8	Other	(3 363)	(3 045)
9	**Total fee and commission expenses**	**(10 873)**	**(8 250)**
10	**Net fee and commission income/expenses**	**68 215**	**60 469**

Note 18. Other operating income

Table 18.1. Other operating income

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Revenue through fines and penalties	29	197
2	Income from transferred interest on deposits	75	101
3	Income from lending	1 821	10 552
4	Income from operating leasing (lease)	2 777	4 349
5	Income from sublease	-	5
6	Income from the sale of collateral	527	1 068
7	Profit or loss from the sale of fixed assets	107	22
8	Income from modification of leasing (lease)	611	-
9	Other	302	64
10	**Total operating income**	**6 249**	**16 358**

Income from lending includes repayment amounts:

- ✓ under loan agreements, in the case of purchased impaired loans when the receipt of cash from clients exceeds the purchase amount, under agreements of assignment of rights to claims;
- ✓ when recognizing the collateral on purchased impaired loans on the balance sheet, if the value of the collateral exceeds the purchase amount.

In 2020, 11 lease and sublease agreements were terminated prematurely due to the change in the location of 3 branches and the lease of new premises and the suspension of the activities of 4 branches and the closure of 2 branches. In connection with the early termination of lease agreements and their modification, 611 thousand UAH of income was reflected.

Note 19. Administrative and other operating income

Table 19.1. Employee benefit expense paid

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Salary and bonuses	(108 434)	(120 399)
2	Payroll charges	(15 735)	(14 328)
3	Other payments to employees	(755)	(381)
4	**Total staff costs**	**(124 924)**	**(135 108)**

Table 19.2 Depreciation costs

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Depreciation of fixed assets	(4 667)	(3 390)
2	Depreciation of software and intangible assets	(925)	(493)
3	Depreciation of the right-of-use asset	(11 954)	(5 694)
4	**Total depreciation costs**	**(17 546)**	**(9 577)**

Table 19.3 Other administrative and other operating expenses

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Expenses for the maintenance of fixed assets and intangible assets, telecommunications and other operational services, economic services	(19 674)	(18 612)
2	Operating leasing expenses	(4 098)	(9 271)
3	VAT on rent payments	(1 240)	(604)
4	Professional services	(1 298)	(1 327)
5	Marketing and advertising expenses	(447)	(1 477)
6	Insurance expenses	(169)	(507)
7	Payment of other taxes and fees other than income tax	(7 732)	(6 722)
		-	-
8	Legal and notary services	(1 472)	(1 952)
9	Other	(4 631)	(4 127)
10	**Total administrative and operating expenses**	**(40 761)**	**(44 599)**

Note 20. Income tax expense

Table 20.1. Income tax expenses

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Current income tax	(2 975)	(1 625)
2	Change in deferred income tax	124	72
3	**Total income tax expenses**	**(2 851)**	**(1 553)**

Table 20.2. Reconciliation of the amount of accounting profit (loss) and the amount of tax profit (loss)

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Profit before tax	15 697	8 566
2	Theoretical tax deductions at the appropriate tax rate	(2 825)	(1 542)
	ADJUSTMENT OF ACCOUNTING PROFIT (LOSS)		
3	Expenses not included in the amount of expenses for calculating tax profit, but recognized in accounting (specify them)	(1 007)	(613)

3.1	Amount of accrued depreciation of fixed assets and intangible assets	(886)	(587)
3.2	Amount of the residual value of an item of fixed assets or intangible assets in the event of disposal or sale of such asset	(72)	(5)
3.3	Amount of expenses for creating provision for doubtful debts	(25)	(21)
3.4	Amount of debt written off against the provision that is not uncollectible in accordance with the Tax Code of Ukraine	(24)	-
4	Expenses included in the amount of expenses for calculation of tax profit, but not recognized in accounting, incl.:	857	530
4.1	Amount of accrued depreciation of fixed assets and intangible assets	719	524
4.2	Amount of the residual value of an item of fixed assets or intangible assets in the event of disposal or sale of such asset	138	6
5	Changes in the amount of net deferred tax asset not reflected in the financial statements	124	72
6	Income tax expenses	**(2 851)**	**(1 553)**

Table 20.3. Tax consequences related to the recognition of deferred tax assets and deferred tax liabilities for 2020

(thousand UAH)

Line	Item	Balance as at December 31, 2019	Recognition in profit/loss	Balance as at December 31, 2020
1	Tax impact of temporary differences that reduce (increase) the amount of taxation and transferred tax losses prepaid	155	124	279
1.1	Fixed assets	37	99	136
1.2	Provisions for doubtful debts	118	25	143
2	Net deferred tax asset (liability)	155	124	279
3	Recognized deferred tax asset	155	124	279
4	Recognized deferred tax liability	-	0	0

Table 20.4. Tax consequences related to the recognition of deferred tax assets and deferred tax liabilities for 2019

(thousand UAH)

Line	Item	Balance as at December 31, 2018	Recognition in profit/loss	Balance as at December 31, 2019
1	Tax impact of temporary differences that reduce (increase) the amount of taxation and transferred tax losses prepaid	**83**	**72**	**155**
1.1	Fixed assets	(14)	51	37
1.2	Provisions for doubtful debts	97	21	118
2	Net deferred tax asset (liability)	**83**	**72**	**155**
3	Recognized deferred tax asset	**97**	**58**	**155**
4	Recognized deferred tax liability	**(14)**	**14**	**-**

Note 21. Earnings (loss) per ordinary share

Table 21.1. Net earnings (loss) per an ordinary share

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Earnings (loss) attributable to holders of ordinary shares of the Bank	12 846	7 013
2	Earnings (loss) for the year	12 846	7 013
3	Average annual number of ordinary shares outstanding (thousand pcs)	20 052,2	20 052,2
4	Net earnings (loss) per an ordinary share	**0.6**	**0.4**

Table 21.2. Calculation of earnings (loss) attributable to holders of ordinary shares of the Bank

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Earnings (loss) for the year attributable to the Bank's owners	8 145	11 556
2	Retained earnings (loss)	12 846	7 013
3	Increase in the share price due to retained earnings of previous years	-	(10 025)
4	Allocations to the reserve fund	**(351)**	**(399)**
5	Earnings (loss) attributable to the shareholders - holders of ordinary shares	**20 640**	**8 145**

Note 22. Financial risk management

Credit risk

Credit risk is the risk associated with the borrower's failure to fulfill its obligations to the Bank, i.e. non-payment of the principal amount of the loan and interest on it. When determining the credit policy, JSC "CRYSTALBANK" uses the principles of weighted credit risk assessment and adheres to a balanced approach to credit procedures makes it possible to effectively manage and control the lending process. The Bank grants loans according to the approved procedure, which provides for analysis and evaluation, approval, maintenance, management and control over the funds granted.

Among the methods of credit risk management, the Bank uses two groups of methods: methods of credit risk management at the level of an individual loan; methods of management at the level of the loan portfolio. The first group of methods includes: analysis of the borrower's creditworthiness, analysis and evaluation of the loan, structuring the loan, documenting loan transactions, monitoring the loan granted and the state of collateral. Credit risk analysis focuses on five main aspects: the financial aspect that determines the borrower's ability to generate sufficient cash flow to repay the loan; industry aspect that reflects the development of the industry and competitive positions of the client and is an integral part of the overall credit risk of the borrower; management aspect that evaluates the quality of management and the effectiveness of management; aspect of the loan collateral quality that determines the level of control over collateral by the Bank and opportunities and conditions for its sale; moral and ethical aspect that reflects the borrower's readiness to repay the loan.

Among the methods of managing the risk of the loan portfolio are: diversification (industry, geographical, portfolio), limiting, creating provisions for credit losses. In the process of limiting, JSC "CRYSTALBANK" was guided by the requirements of the National Bank of Ukraine set out in the Instructions on the Procedure for Regulating the Banks' Activities in Ukraine, and when creating the provisions for credit losses – by the regulations of the National Bank of Ukraine and the requirements of International Financial Reporting Standards.

The Bank has implemented constant monitoring and control over credit risk. For this purpose, an effective structure of the risk management division has been developed and Permanent Risk Management Committees have been created.

The Bank's permanent collegial governing body is the Credit Committee. The activities of the Credit Committee are aimed at coordinating measures and actions for the effective use of the Bank's resources, placing cash in active operations.

Participants in the credit risk management system are also the Risk Management Department in terms of identifying, evaluating, analyzing credit risks, developing and implementing appropriate credit risk management methodologies in accordance with their functions and responsibilities. The Supervisory Board ensures the functioning and control of the effectiveness of the risk management system, approves a list of limits for each type of risk, and so on.

The Bank creates in timely manner and in full the provisions for possible losses on loans granted and other active operations. JSC “CRYSTALBANK” calculates the size and creates provisions (if required) to cover risks of possible losses:

- ✓ for outstanding loans granted to clients and banks;
- ✓ on accounts receivable;
- ✓ for outstanding funds on correspondent accounts;
- ✓ depreciation of securities in the Bank’s portfolio.

During the reporting period, the Bank adhered to the credit risk standards established by the National Bank of Ukraine.

Market risk

Market risk management is a system of measures to minimize and protect against risks that arise due to unfavorable fluctuations in the value of securities, goods, and foreign exchange rates that are in the Bank’s trading portfolio.

The goal of market risk management is to achieve the planned level of profitability of the Bank at an acceptable level of risk for shareholders, that is, to minimize losses from unexpected fluctuations.

The Bank’s policy provides for investing exclusively in securities with a high level of reliability.

Assessment / measurement of market risk is carried out by analyzing the dynamics of changes in the market value of securities that are in the Bank’s trading portfolio, the dynamics of currency exchange rates in the domestic and international financial markets. The fair value of securities as of the balance sheet date is also constantly determined. Market risk management of the Bank consists in the diversification of securities in the Bank’s trading portfolio; monitoring the indicators of net spread, net interest margin, net interest position and their adequacy to a comparative group of banks; compliance with capital and currency risk standards; conducting hedging operations and other measures that minimize the Bank’s market risk.

The Bank has introduced management reporting that is sufficient for making decisions in the field of market risk management.

Table 22.1. Analyses of market risk

(thousand UAH)

Line	Currency	31 December 2020			31 December 2019		
		Monetary assets	Monetary liabilities	Net position	Monetary assets	Monetary liabilities	Net position
1	USD	1 511 114	1 495 462	15 652	888 752	897 408	(8 656)
2	Euro	192 828	194 959	(2 131)	86 172	76 157	10 015
3	Other	513	25	488	149	130	19
4	**Total**	**1 704 455**	**1 690 446**	14 009	**975 073**	**973 695**	**1 378**

Table 22.2. Changes in profit or loss and equity as a result of possible changes in the official exchange rate of hryvnia against foreign currencies at the reporting date, provided that all other variable characteristics remain fixed

(thousand UAH)

Line	Item	31 December 2020		31 December 2019	
		Effect on profit (loss)	Effect on equity	Effect on profit (loss)	Effect on equity
1	USD strengthening by 30%	4 696	4 696	(2 597)	(2 597)
2	USD weakening by 20%	(3 130)	(3 130)	1 731	1 731
3	Euro strengthening by 30%	(639)	(639)	3 005	3 005
4	Euro weakening by 20%	426	426	(2 003)	(2 003)
5	Strengthening of other currencies and precious metals	21	6	6	6
6	Weakening of other currencies and precious metals	(14	(14)	(4)	(4)

Table 22.3. Changes in profit or loss and equity as a result of possible changes in the official exchange rate of hryvnia against foreign currencies set as weighted average exchange rate, provided that all other variable characteristics remain fixed

(thousand UAH)

Line	Item	Weighted average exchange rate for 2020		Weighted average exchange rate for 2019	
		Effect on profit (loss)	Effect on equity	Effect on profit (loss)	Effect on equity
1	USD strengthening by 30%	4 696	4 696	(2 597)	(2 597)
2	USD weakening by 20%	(3 130)	(3 130)	1 731	1 731
3	Euro strengthening by 30%	(639)	(639)	3 005	3 005
4	Euro weakening by 20%	426	426	(2 003)	(2 003)
5	Strengthening of other currencies and precious metals	21	6	6	6
6	Weakening of other currencies and precious metals	(14	(14)	(4)	(4)

Interest rate risk in the banking book

Interest rate risk in the banking book is the probability of losses or additional losses or shortfall in planned income due to the effect of adverse changes in interest rates in the banking book. The interest rate risk in the banking book affects the economic cost of the Bank’s capital and the Bank’s net interest income.

The Bank has created an effective system for managing the interest rate risk in the banking book:

- ✓ the collegial management bodies of the Bank (Asset and Liability Management Committee, Credit Committee), within the limits of their delegated powers, are responsible for coordinating the actions of the Bank’s structural divisions involved in the process of interest risk management for setting interest rates and other related conditions (commissions and fees, etc.) for active and passive operations, analyzing and monitoring indicators, parameters of interest risk;
- ✓ structural business units of the Bank that have a direct or indirect influence on the level of interest rate risk shall coordinate current activities with the restrictions established by the decisions of the Supervisory Board, Management Board, ALMC, Credit Committee, and are also responsible for implementing the decisions of the ALMC on interest rate risk management.

The Bank has introduced interest rate risk management as a centralized process carried out at the level of the Parent Bank. The bodies of this process are: the Supervisory Board, the Management Board, the ALMC, the Credit Committee, the Bank’s structural business divisions and the Risk Management Department.

The Bank implements appropriate systems for administration, evaluation and monitoring of assets and liabilities:

- ✓ The Bank creates and maintains in proper condition a system of current administration of interest-bearing active and interest-bearing passive operations by amounts, interest rates and maturities (calculation and monitoring of static and dynamic gaps between interest-bearing assets and liabilities, weighted average payment terms);
- ✓ The Bank introduces a system for measuring and assessing interest rate risk in accordance with the nature, volume and complexity of its operations, at certain organizational levels of the Bank, applies modeling, stress testing;
- ✓ The Bank implements appropriate information and analytical tools that allow the management to assess interest rate risk, including balance sheet and off-balance sheet operations. The management reporting system is aimed at providing its users with adequate information about the size, structure of interest-bearing assets and liabilities of the Bank, return on interest-bearing assets and expenditure on interest-bearing liabilities,

interest-bearing risk indicators, return (profitability) of net assets, weighted average payment terms for interest-bearing assets and interest-bearing liabilities, GAP analysis;

- ✓ when assessing interest rate risk, the Bank takes into account prospective future changes in the economic environment, changes in market interest rates, and the forecast flow of interest transactions.

Methods of assessment and tools for managing interest rate risk are defined in the Regulation on Interest Rate Risk in the Banking Book Management of JSC "CRYSTALBANK".

Table 22.4.General analysis of the interest rate risk

(thousand UAH)

Line	Item	On demand and less than 1 month	From 1 to 12 months	More than a year	Financial instruments not subject to interest rate risk	**Total**
	2020					
1	Total financial assets	670 133	1 099 029	543 844	422 773	**2 735 779**
2	Total financial liabilities	1 428 423	650 299	376 299	80 915	**2 535 936**
3	**Net interest rate gap at the end of the reporting period**	**(758 290)**	**448 730**	**167 545**	**341 858**	**199 843**
	2019					
4	Total financial assets	763 574	158 058	244 396	373 208	**1 539 236**
5	Total financial liabilities	1 019 819	294 364	26 923	33 351	**1 374 457**
6	**Net interest rate gap at the end of the reporting period**	**(256 245)**	**(136 306)**	**217 473**	**339 857**	**164 779**

Interest on the corresponding items of assets and liabilities is charged at a fixed rate.

Table 22.5. Monitoring of interest rates on financial instruments

(%)

Line	Item	31 December 2020				31 December 2019			
		hryvnia	USD	Euro	other	hryvnia	USD	Euro	other
	Assets								
1	Loans and receivables	16.93	11.1	7.21	-	16.64	13.32	-	-
2	Debt securities in the Bank's portfolio to maturity	7.72	4.47	-	-	13.31	3.98	-	-
	Liabilities								
3	Client deposits	3.18	1.44	0.25	-	4.63	2.94	0.7	-
3.1	current accounts	1.00	-	-	-	2.26	-	-	-
3.2	time deposits	9.89	1.74	0.66	-	13.88	3.53	2.26	-

Geographical risk

The Bank operates exclusively on the territory of Ukraine. There are no branches, representative offices or representatives of the Bank operating abroad.

Table 22.6. Analysis of the geographical concentration of financial assets and liabilities for 2020

(thousand UAH)

Line	Item	Ukraine	Other countries	**Total**
Assets				
1	Cash and cash equivalents	417 919	987	**418 906**
2	Loans and receivables	665 496	50	**665 546**
3	Investments in securities	1 647 461	-	**1 647 461**
4	Other financial assets	3 860	6	**3 866**
5	**Total financial assets**	**2 734 736**	**1 043**	**2 735 779**

Liabilities				
6	Client deposits	1 876 360	206 122	**2 082 482**
7	Other financial liabilities	453 117	337	**453 454**
8	**Total financial liabilities**	**2 329 477**	**206 459**	**2 535 936**
9	**Net balance sheet position on financial instruments**	**405 259**	**(205 416)**	**199 843**
10	**Loan liabilities**	**155 933**	**-**	**155 933**

Table 22.7. Analysis of the geographical concentration of financial assets and liabilities for 2019

(thousand UAH)

Line	Item	Ukraine	Other countries	**Total**
Assets				
1	Cash and cash equivalents	343 634	26	**343 660**
2	Loans and receivables	411 502	53	**411 555**
3	Investments in securities	780 330	-	**780 330**
4	Other financial assets	3 687	4	**3 691**
5	**Total financial assets**	**1 539 153**	**83**	**1 539 236**
Liabilities				
6	Client deposits	1 277 759	77 301	**1 355 060**
7	Other financial liabilities	19 397	-	**19 397**
8	**Total financial liabilities**	**1 297 156**	**77 301**	**1 374 457**
9	**Net balance sheet position on financial instruments**	**241 997**	**(77 218)**	**164 779**
10	**Loan liabilities**	**199 128**	**-**	**199 128**

Liquidity risk

The liquidity management process is one of the most important processes that is subject to daily monitoring. Liquidity is defined as the ability of a bank to meet its liabilities in full and on time. Liquid funds include assets that are quickly sold on the market for cash with minimal price risk. The main source of liquid funds is the money markets where the Bank operates.

Liquidity risk arises from the inability to manage unplanned outflows of funds, changes in funding sources, or meet off-balance sheet liabilities.

One of the most influential factors leading to a liquidity squeeze is unforeseen outflows of deposits, the reasons for which may be the concentration of deposits of a particular group or person, the effect on deposits of seasonality or cycle, the sensitivity of deposits to changes in interest rates.

The main method for assessing the level of liquidity is the analysis of compliance of the Bank's asset and liability structure based on the analysis of asset liquidity and liability stability. The essence of this method is to correlate the flow of funds to the Bank and their outflow. Cash flows are analyzed using a table that reflects the maturities or demand on all assets and liabilities of the Bank.

The purpose of liquidity risk management is to provide sufficient funds for full and timely fulfillment of all the Bank's liabilities to clients, creditors and other counterparties, as well as to achieve the planned growth of its assets and the level of profitability of the Bank.

The Bank's liquidity management requires an analysis of the level of liquid assets necessary to settle liabilities when they mature, ensure access to various sources of financing, have plans in case of problems with financing, and monitor the compliance of balance sheet liquidity indicators with regulatory requirements. The Bank calculates daily liquidity ratios in accordance with the requirements of the National Bank of Ukraine.

The Asset and Liability Management Committee, to which the Bank's Management Board delegates asset and liability management functions, determines the strategy for maintaining sufficient liquidity.

Liquidity management consists in setting limits on the maximum amount of certain balance sheet items, controlling the gaps between the maturities of assets and liabilities as a measure of the risk that the Bank is exposed to, by limiting their size, diversifying external sources of financing, and determining future financing needs.

Considerable attention is paid to the concentrations of loan and deposit portfolios, as well as the degree of liquidity of existing assets.
The main liquidity indicators are controlled by the Bank's management. Internal control and analysis of the maturities of assets and liabilities used by the Bank during operations is carried out on a daily basis. This analysis is the main basis for making decisions on operational liquidity management.
In order to manage risk, JSC "CRYSTALBANK" has developed a liquidity risk management policy, which defines the system, methods, and organization of the liquidity risk management process.

Table 22.8. Analysis of financial liabilities by maturity for 2020

(thousand UAH)

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	More than 5 years	**Total**
1	Client deposits	1 428 423	650 299	3 760	-	**2 082 482**
1.1	Deposits of individuals	240 874	220 412	1 087	-	**462 373**
1.2	Deposits of legal entities	1 187 549	429 887	2 673	-	**1 620 109**
2	Other financial liabilities	81 154	-	372 300	-	**453 454**
3	Financial guarantees	44 715	19 650	4 338	-	**68 703**
4	Other loan liabilities	2 405	91 264	62 264	-	**155 933**
5	**Total prospective payments on financial liabilities**	**1 556 697**	**761 213**	**442 662**	**-**	**2 760 572**

Table 22.9. Analysis of financial liabilities by maturity for 2019

(thousand UAH)

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	More than 5 years	**Total**
1	Client deposits	1 033 773	294 363	26 924	**-**	**1 355 060**
1.1	Deposits of individuals	188 737	180 716	188	-	369 641
1.2	Deposits of legal entities	845 036	113 647	26 736	-	985 419
2	Other financial liabilities	18 571	296	524	6	**19 397**
3	Financial guarantees	8 573	49 191	732	-	**58 496**
4	Other loan liabilities	4 970	129 173	6 489	-	**140 632**
5	**Total prospective payments on financial liabilities**	**1 065 887**	**473 023**	**34 669**	**6**	**1 573 585**

Table 22.10. Analysis of financial assets and liabilities by maturity based on expected maturities for 2020

(thousand UAH)

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	More than 5 years	**Total**
	Assets					
1	Cash and cash equivalents	418 906	-	-	-	418 906
2	Loans and receivables	14 069	200 303	389 962	61 212	665 546
3	Investments in securities	656 064	898 727	92 670		1 647 461
5	Other financial assets	3 855	11	-	-	3 866

6	**Total financial assets**	**1 092 894**	**1 099 041**	**482 632**	**61 212**	**2 735 779**
	Liabilities					
7	Client deposits	1 428 423	650 299	3 760	-	2 082 482
8	Other financial liabilities	81 154	-	372 300	-	453 454
9	**Total financial liabilities**	**1 509 577**	**650 299**	**376 060**	**-**	**2 535 936**
11	**Cumulative liquidity gap at the end of the day December 31, 2020**	**(416 683)**	**32 059**	**138 631**	**199 843**	**199 843**

Table 22.11. Analysis of financial assets and liabilities by maturity based on expected maturities for 2019

(thousand UAH)

Line	Item	On demand and less than 1 month	From 1 to 12 months	From 12 months to 5 years	More than 5 years	**Total**
	Assets					
1	Cash and cash equivalents	343 660	-	-	-	**343 660**
2	Loans and receivables	7 341	158 059	186 559	59 596	**411 555**
3	Investments in securities	756 233	24 097	-	-	**780330**
5	Other financial assets	3 691	-	-	-	**3691**
6	**Total financial assets**	**1 110 925**	**182 156**	**186 559**	**59 596**	**1539236**
	Liabilities					
7	Client deposits	1 033 773	294 364	26 923	-	**1 355 060**
8	Other financial liabilities	18 571	296	524	6	**19 397**
9	**Total financial liabilities**	**1 052 344**	**294 660**	**27 447**	**6**	**1 374 457**
11	**Cumulative liquidity gap at the end of the day December 31, 2019**	**(98 767)**	**(15 462)**	**83 107**	**159 201**	**159 201**

Note 23. Equity management

The structure of capital requirement is provided in accordance with the elements included in the calculation of capital requirement in accordance with the legislation. The calculation is based on the annual statistical reports (A4 file) as of 31.12.2020.

According to the 6DX file as of 31.12.2020, the capital adequacy ratio (H2) is 28.1% (the statutory value is at least 10%).

The Bank does not operate internationally and does not prepare full consolidation reports in accordance with the requirements of the Basel Capital agreement.

Table 23.1. Capital requirement structure at the end of the day on December 31, 2020

(thousand UAH)

Line	Item	2020	2019
1	Fixed capital	**244 318**	**248 314**
1.1	Authorized capital	264 689	264 689
1.2	Intangible assets	(8 178)	(6 036)
1.3	Reserve funds	6 861	6 510
1.4	Estimated profit	(19 053)	(16 849)
1.4.1	Current profit or loss	12 846	7 013
1.4.2	Accrued foregone income	(1 099)	(5 273)
1.4.3	Retained earnings of previous years	7 794	1 132
1.4.4	Outstanding credit risk	(38 594)	(19 721)
2	**Capital requirement without reduction**	**244 318**	**248 314**
3	**Total capital requirement**	**244 318**	**248 314**

Note 24. Contingent liabilities of the Bank

1) As of 01.01.2021, 54 claims of the Bank and counterclaims where the defendant is the Bank were pending in various courts, of which:

- 29 non-pecuniary claims;
- 25 pecuniary claims (including 2 claims against the Bank in the amount of UAH 1,044,158.50).

According to Article 60 of the Law of Ukraine "On Banks and Banking Activities", information about court cases indicating the name of clients cannot be provided.

2) contingent tax liabilities.

Due to the existence of provisions in the Ukrainian tax legislation that allow for more than one interpretation, as well as due to the practice that has developed in a generally unstable economic environment due to arbitrary interpretation by the tax authorities of various aspects of economic activity, the Bank may be forced to recognize additional tax liabilities, fines and penalties in the event that the tax authorities question a certain interpretation based on the judgment of the Bank's management. Tax records remain open for review by the tax authorities for three years.

3) capital commitments.

The Bank has no irrevocable capital commitments under non-negotiable agreements

4) operating leasing (rent) commitments.

The Bank has no irrevocable commitments under non-negotiable operating lease agreements

5) insurance commitments

Table 24.1. Structure of loan liabilities

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Revocable loan commitments	155 933	140 632
2	Guarantees provided	69 379	58 496
3	Provision for loan liabilities	(797)	(653)
4	**Total loan liabilities less provision**	**224 515**	**198 475**

Table 24.2. Analysis of credit quality of loan liabilities for 2020

(thousand UAH)

Line	Item	Stage 1	Total
1	Revocable loan commitments	155 933	155 933
2	Guarantees provided to clients	69 379	69 379
3	Total loan liabilities	225 312	225 312
4	**Provisions for impairment of loan liabilities**	**(797)**	**(797)**
5	**Total loan liabilities less provisions**	**224 515**	**224 515**

Table 24.3. Analysis of credit quality of loan liabilities for 2019

(thousand UAH)

Line	Item	Stage 1	Total
1	Revocable loan commitments	140 632	140 632
2	Guarantees provided to clients	58 496	58 496
3	Total loan liabilities	199 128	199 128
4	**Provisions for impairment of loan liabilities**	**(653)**	**(653)**
5	**Total loan liabilities less provisions**	**198 475**	**198 475**

Table 24.4. Analysis of changes in book value / par value for impairment of loan liabilities for 2020

(thousand UAH)

Line	Item	Stage 1	Total
1	Book value at the beginning of the period	140 632	140 632
2	Loan liabilities granted	4 167 360	4 167 360
3	Loan liabilities derecognized or expired	4 162 324	4 162 324

4	Exchange rate impact	10 265	
5	Book value at the end of the reporting period	**155 933**	**155 933**

Table 24.5. Analysis of changes in book value / par value for impairment of loan liabilities for 2019

(thousand UAH)

Line	Item	Stage 1	Total
1	Book value at the beginning of the period	74 334	74 334
2	Loan liabilities granted	1 000 981	1 000 981
3	Loan liabilities derecognized or expired	928 465	928 465
4	Exchange rate impact	(6 218)	(6 218)
5	Book value at the end of the reporting period	**140 632**	**140 632**

Table 24.6. Loan liabilities by currency

(thousand UAH)

Line	Item	31 December 2020	31 December 2019
1	Hryvnia	191 509	155 213
2	USD	24 313	43 262
3	Euro	8 693	-
4	**Total**	**224 515**	**198 475**

Note 25 Assets pledged without derecognition

(thousand UAH)

Line	Item	Note	31 December 2020		31 December 2019	
			Assets pledged	Secured obligation	Assets pledged	Secured obligation
1	Domestic government bonds refinanced by the National Bank of Ukraine at fair value through other comprehensive income	8	415 325	372 300	-	-

Note 26. Fair value of financial instruments

Disclosure of the fair value of financial instruments is made in accordance with the requirements of IFRS 13 "Fair Value Measurement" and IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the price that will be obtained as a result of the sale of an asset or paid as a result of the transfer of a liability in the course of normal operation between market participants at the valuation date, regardless of whether this price is directly observed in the market or estimated using a different valuation methodology. The Bank defines policies and procedures for the frequency of fair value measurement. The Bank determines the estimated fair value of financial assets and liabilities using market information (if any) and appropriate valuation methods. However, a subjective judgment is necessary to interpret market information in order to determine the estimated fair value. As you know, the Ukrainian economy is characterized by features inherent in a market economy of transition, and the activity of its financial market is still low. The estimates presented in these financial statements may not reflect the amounts that the Bank could have received in case of the actual implementation of the existing package of certain financial instruments.

Financial instruments accounted for at fair value

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments in accordance with the valuation model:

- ✓ Level 1: quotation (without adjustments) of identical assets or liabilities in active markets;
- ✓ Level 2: valuation methods that use data from open markets obtained directly or indirectly as baseline data affecting fair value;

✓ Level 3: Valuation methods that use non-market data as baseline data affecting fair value.

Table 26.1. Fair value and hierarchy levels of input data used for measuring financial assets and liabilities for 2020

(thousand UAH)

Line	Item	Market quotation (Level 1)	Total fair value	Total book value
1	Domestic government bonds refinanced by the National Bank of Ukraine at fair value through other comprehensive income	1 047 293	1 047 293	1 047 293
2	**Total assets**	**1 047 293**	**1 047 293**	**1 047 293**

Table 26.2. Fair value and hierarchy levels of input data used for measuring financial assets and liabilities for 2019

(thousand UAH)

Line	Item	Market quotation (Level 1)	Total fair value	Total book value
1	Domestic government bonds refinanced by the National Bank of Ukraine at fair value through other comprehensive income	24 097	24 097	24 097
2	**Total assets**	**24 097**	**24 097**	**24 097**

Note 27. Presentation of financial instruments by valuation category

Table 27.1. Assets by valuation category for 2020

(thousand UAH)

Line	Item	At amortized cost	At fair value through other comprehensive income	**Total**
	ASSETS			
1	Cash and cash equivalents	416 906	-	**416 906**
2	Loans and receivables	665 546	-	**665 546**
3	Investments in securities	600 168	1 047 293	**1 647 461**
3.1	Domestic government bonds refinanced by the National Bank of Ukraine	600 168	-	**600 168**
4	Other assets	3 754	-	**3 754**
4.1	accounts receivable for transactions with banks	642	**-**	**642**
4.2	accounts receivable for operations performed through the software and hardware for self-service - ATMs	108	**-**	**108**
4.3	Other accrued income	600	-	**600**
4.4	Cash that ensure the financial security of transactions with payment cards	2 188	**-**	**2 188**
4.5	Military tax paid by individuals based on the annual return	754	-	**754**
4.6	Provisions for impairment	(538)	-	**(538)**
5	**Total assets**	**1 686 374**	**1 047 293**	**2 733 667**

Table 27.2. Assets by valuation category for 2019

(thousand UAH)

Line	Item	At amortized cost	At fair value through other comprehensive income	**Total**
	ASSETS			
1	Cash and cash equivalents	343 660	-	**343 660**
2	Loans and receivables	411 555	-	**411 555**

3	Investments in securities	365 881	24 097	**389 978**
3.1	Domestic government bonds refinanced by the National Bank of Ukraine	365 881	-	**365 881**
4	Other assets	3 691	-	**3 691**
4.1	accounts receivable for transactions with banks	636	-	**636**
4.2	accounts receivable for operations performed through the software and hardware for self-service - ATMs	213	-	**213**
4.3	Other accrued income	761	-	**761**
4.4	Cash in the bank wound up at the creditor's claim	387	-	**387**
4.5	Cash that ensure the financial security of transactions with payment cards	2 096	-	**2 096**
4.6	Military tax paid by individuals based on the annual return	754	-	**754**
4.7	Provisions for impairment	(1 156)	-	**(1 156)**
5	**Total assets**	**1 124 787**	**24 097**	**1 148 884**

Note 28. Related-party transactions

Table 28.1. Balances under related-party transactions as at 31 December 2020

(thousand UAH)

Line	Item	Major members (shareholders) of the Bank	Leading management	Other related parties
1	Loans and receivables (contract interest rate of 10%-42%)	-	886	5 236
2	Provisions for loan debt	-	(23)	(184)
3	Other assets	1	-	3
4	Client deposits (contract interest rate of 4.25%-10%)	97 156	9 859	151 580
5	Provision for liabilities	-	-	2
6	Other liabilities	597	2 368	566

Table 28.2. Balances under related-party transactions as at 31 December 2019

(thousand UAH)

Line	Item	Major members (shareholders) of the Bank	Leading management	Other related parties
1	Loans and receivables (contract interest rate of 32%)	-	63	2 963
2	Provisions for loan debt	-	(10)	(161)
3	Other assets	1	-	5
4	Client deposits (contract interest rate of 4.25%-10%)	71 673	1 477	108 712
5	Provision for liabilities	-	-	-
6	Other liabilities	1	2 429	418

Table 28.3. Income and expenses on related-party transactions for 2020

(thousand UAH)

Line	Item	Major members (shareholders) of the Bank	Leading management	Other related parties
1	Interest income	-	88	949
2	Interest expenses	(2 810)	(156)	(1 633)
3	Changes in provision for impairment of loans and cash in other banks	-	(13)	(21)
4	Allocations to provision for impairment of loans and cash in other banks		(13)	(21)
5	Fee and commission income	91	71	812
6	Administrative and other operating expenses	(28 186)	(17 226)	(9 378)

Table 28.4. Income and expenses on related-party transactions for 2019

(thousand UAH)

Line	Item	Major members (shareholders) of the Bank	Leading management	Other related parties
1	Interest income	-	26	206
2	Interest expenses	(940)	(140)	(3 599)
3	Changes in provision for impairment of loans and cash in other banks		(3)	(125)
4	Allocations to provision for impairment of loans and cash in other banks	-	(3)	(125)
5	Fee and commission income	80	90	281
6	Administrative and other operating expenses	(36 460)	(22 847)	(8 301)

Table 28.5. Other rights and liabilities under related-party transactions as at 31 December 2020

(thousand UAH)

Line	Item	Leading management	Other related parties
1	Other liabilities	301	734

Table 28.6. Other rights and liabilities under related-party transactions as at 31 December 2019

(thousand UAH)

Line	Item	Leading management	Other related parties
1	Other liabilities	158	5

Table 28.7. Total amount of loans granted to related parties and repaid by related parties during 2020

(thousand UAH)

Line	Item	Major members (shareholders) of the Bank	Leading management	Other related parties
1	Amount of loans granted to related parties	6	2 060	37 710
2	Amount of loans repaid by related parties	6	1 636	137 317

Table 28.8. Total amount of loans granted to related parties and repaid by related parties during 2019

(thousand UAH)

Line	Item	Major members (shareholders) of the Bank	Leading management	Other related parties
1	Amount of loans granted to related parties	1	1 354	4 380
2	Amount of loans repaid by related parties	1	1 225	802

Table 28.9. Payments to the leading management

(thousand UAH)

Line	Item	2020		2019	
		Costs	Accrued liabilities	Costs	Accrued liabilities
1	Current employee benefits	17 237	2 368	22 719	2 428
2	Payments at dismissal	24	-	91	13

Note 29. Events after the balance sheet date

According to the Resolution of the Board of the National Bank of Ukraine No. 729-RSH, the Bank reduced the amount of fixed capital by the book value of non-core assets in the amount of UAH 68,614,612.84, using a coefficient of 0.25.

On February 04, 2021, the state registration of the new version of the Articles of Association of JSC “CRYSTALBANK” took place, approved by the decision of the Extraordinary General Meeting of Shareholders of the Bank dated 17.11.2020 (Minutes No. 2) and approved by the National Bank of Ukraine on 16.12.2020.

Chairman of the Management Board	*/signature/*	L.A. Grebinskiy
Chief Accountant	*/signature/*	L.M. Symonenko

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