JOINT STOCK COMPANY “CITIBANK”

Annual Financial Statements under IFRS

For the year ended 31 December 2021 and Independent Auditors’ Report

Contents

Independent Auditors' Report

To the Shareholder of JOINT STOCK COMPANY "CITIBANK"

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JOINT STOCK COMPANY "CITIBANK" (the "Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information ("the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Law of Ukraine *"On accounting and financial statements in Ukraine"* on preparation of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements, which describes the unfavourable effects on the Bank's operations of the military invasion launched by the Russian Federation on the territory of Ukraine on 24 February 2022. As also stated in Note 2, these events or conditions, along with other matters as set forth in that Note, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters Incorporating the Most Significant Risks of Material Misstatements, Including Assessed Risk of Material Misstatements Due to Fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *"Material Uncertainty Related to Going Concern"* section, we have determined matter described below to be the key audit matter to be communicated in our report.

Expected credit losses on loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2021: UAH 7,748,227 thousand; related income on release of allowance for expected credit losses recognized in 2021: UAH 837 thousand; total impairment loss as at 31 December 2021: UAH 1,982 thousand.

We refer to the financial statements: Note 4 "Significant accounting policies" and Note 9 "Loans and advances to customers".

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers at amortized cost at the reporting date ("loans", "exposures"). We focused on this area as the measurement of impairment allowances requires management to make complex and subjective judgements over the amounts of any such impairment. The impairment allowances for the performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) are determined by modelling techniques relying on key parameters such as the probability of	Our procedures in the area performed, where applicable, with the assistance of our own information technology (IT) specialists, included, among other things: — Inspecting the Bank's ECL methods and models and assessing their compliance with the relevant requirements of the financial reporting standards. As part of the above, we challenged the management on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level factors; — Testing the design and implementation of selected controls within the loan impairment process, such as those over

default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk, forward-looking information and management judgment (together "collective impairment allowance"). As at 31 December 2021 the Bank has no Stage 3 or individually assessed exposures. Also, as discussed in Note 9, as at 31 December 2021 the Bank has obtained financial guarantees from Citi Group banks covering the majority of its total loan exposure. In the wake of the above factors, we considered impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	the review and approval of the relevant accounting policies, methods and ECL model outcomes. In addition, we tested operating effectiveness of certain controls, including those over the calculation of days past due, review and authorisation of loan tranches and loans disbursement, repayments under loan contracts and interest income accrual; — Assessing whether the definition of default and the Standard's staging criteria were consistently applied. Also assessing whether the definition of default applied is appropriate based on the requirements of the financial reporting standards. — For a risk-based sample of loans, testing the appropriateness of the Bank's allocation to Stages, by reference to financial and non-financial information on selected borrowers (loan files); — Obtaining the relevant forward-looking information and macroeconomic projections used in the Bank's ECL assessment. Independently assessing the information by means of corroborating inquiries of the management, including CFO, Chief Risk Officer and chief accountant, and inspecting publicly available information; — Challenging the Bank's impairment estimate by comparing it with our own estimate relying on independently developed PD and LGD parameters based on data from external credit ratings providers. As part of the procedure, different LGD parameters were applied for exposures covered by the Citi Group's financial guarantees and those not in scope of the guarantees; — For a sample of loans, testing the EAD parameter by reference to the Bank's accounting system, external confirmations obtained independently from the Bank's borrowers and primary documents, as applicable; — Examining whether the Bank's loan impairment and credit risk-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the financial reporting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report and the Annual Information of the Issuer of Securities, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Law of Ukraine *"On accounting and financial statements in Ukraine"* on preparation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 14(4) of the Law of Ukraine "*On Audit of Financial Statements and Auditing*", "*Requirements for information related to audit or review of financial statements of participants of capital markets and organized commodity markets, which are supervised by the National Securities and Stock Market Commission*" approved by the Resolution of the National Securities and Stock Market Commission (the "NSSMC") No. 555 dated 22 July 2021, and Section IV(11) of "*Instruction on the procedure for preparation and publication of financial statements of Ukrainian banks"* approved by the Resolution of the Board of the National Bank of Ukraine No. 373 dated 24 October 2011 (the "Instruction No. 373"), we provide the following information in our Independent Auditors' Report in addition to that required by ISAs.

Appointment of the Auditor and Period of Engagement

We were appointed by the Supervisory Board on 4 April 2019 to audit the financial statements of the Bank as at and for the year ended 31 December 2021. Our total uninterrupted period of audit engagements is three years, starting from the year ended 31 December 2019 till the year ended 31 December 2021.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 6(4) of the Law of Ukraine "*On Audit of Financial Statements and Auditing*" were provided.

In addition, for the period to which our statutory audit relates, we have not provided any services to the Bank in addition to the audit, which have not been disclosed in the Management Report.

Additional Report to the Supervisory Board

We confirm that our auditors' report is consistent with the additional report to the Supervisory Board.

Reporting on the NSSMC's Requirements

— The audit of JOINT STOCK COMPANY "CITIBANK" was conducted in accordance with the Engagement Contract No. 111-SA/2019 dated 22 April 2019. The audit was performed from 4 October 2021 to the date of this report.

— Information on the ownership structure and the ultimate beneficiary owner of the Bank is included in Note 1 to the financial statements.

— As at 31 December 2021 the Bank is neither a controlling party, nor a member of non-banking financial group.

— The Bank is a public interest entity in accordance with the Law of Ukraine "On accounting and financial statements in Ukraine".

— As at 31 December 2021 the Bank does not have subsidiaries.

— The Supervisory Board did not perform examination of the Bank's financial performance for the year ended 31 December 2021.

Reporting on the Management Report

Solely based on the work we have performed in connection with our audit of the financial statements, in our opinion, the Management Report is consistent, in all material respects, with the financial statements, is not materially misstated and contains the information that is required by the Section IV of the Instruction No. 373.

The engagement partner on the audit resulting in this independent auditors' report is:

«КПМГ Аудит»
Ідентифікаційний код 31032100

Anna Parkhomenko

Registration No. 101539 in the Register of Auditors and Audit Organisations

Deputy Director

PJSC "KPMG Audit"

15 July 2022,

Kyiv, Ukraine

Statement of Financial Position (Balance Sheet)
as at 31 December 2021

'000 UAH

Item	*Notes*	as at 31 December 2021	as at 31 December 2020
ASSETS			
Cash and cash equivalents	*6*	5,941,831	8,660,269
Trading assets	*7*	1,501,427	2,729,862
Due from other banks	*8*	30,012	32,052
Loans and advances to customers	*9*	7,748,227	2,502,326
Deposit certificates issued by the NBU		10,709,578	7,051,824
Government bonds	*10*	7,634,907	6,769,927
Derivative financial assets		1,479	216
Property and equipment and intangible assets	*11*	97,936	89,633
Other assets	*12*	19,985	14,354
Total assets		**33,685,382**	**27,850,463**
LIABILITIES			
Due to banks	*13*	218,504	151,159
Due to customers	*14*	30,378,899	25,062,859
Derivative financial liabilities		1,663	5,951
Current tax liabilities		117,311	64,688
Deferred tax liabilities		16,753	24,341
Provisions for liabilities	*15*	494	324
Other liabilities	*16*	72,267	59,608
Total liabilities		**30,805,891**	**25,368,930**
EQUITY			
Share capital	*17*	200,000	200,000
Share premium	*17*	253,091	253,091
Retained earnings		1,758,903	1,329,310
Reserve and other funds		592,725	592,725
Other additional capital		1,875	-
Revaluation reserves	*18*	72,897	106,407
Total equity		**2,879,491**	**2,481,533**
Total liabilities and equity		**33,685,382**	**27,850,463**

Authorized for issue and signed on

15 July 2022

Acting Chairman of the Board ____________ **Natalia Pelykh**

Chief Accountant ____________ **Kateryna Moskvina**

Україна * м. Київ * Акціонерне товариство "СІТІБАНК" Ідентифікаційний код 21685485

K. Moskvina
(044) 490-10-44

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5-70

Statement of Profit or Loss and Other Comprehensive Income (Statement of Operations) for the year 2021

'000 UAH

Item	*Notes*	for the year 2021	for the year 2020
Interest income calculated using the effective interest rate method	20	1,517,858	1,522,202
Other interest income	20	323,674	191,405
Interest expense		(297,962)	(373,633)
Net interest income		**1,543,570**	**1,339,974**
Fee and commission income	21	315,317	294,621
Fee and commission expense	21	(44,730)	(50,665)
Trading result from transactions with financial instruments measured at fair value through profit or loss		138,947	15,104
Gains less losses from transactions with financial instruments measured at fair value through other comprehensive income		4,249	41,420
Gains less losses from foreign currency transactions		454,292	180,337
Foreign currency translation differences		12,039	198,298
Net (loss)/gain from (increase)/release of ECL provision		69,950	(99,737)
Net gain from release of provisions for liabilities	15	(170)	80
Other operating income	22	452	232
Employee benefit expenses		(252,999)	(218,952)
Depreciation and amortization		(12,691)	(12,129)
Other administrative and operating expenses	23	(83,969)	(67,950)
Profit before income tax		**2,144,257**	**1,620,633**
Income tax expense	24	(386,149)	(292,296)
Profit for the year		**1,758 108**	**1,328,337**
OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED INTO PROFIT/(LOSS):			
Changes in the results of revaluation of debt financial instruments: net change in fair value	18	(33,510)	2,531
Other comprehensive income after tax for the year		**(33,510)**	**2,531**
Total comprehensive income for the year		**1,724 598**	**1,330,867**
Earnings per share (hryvnias)	25	**175,811**	**132,834**

Authorized for issue and signed on

15 July 2022

Acting Chairman of the Board ____________ **Natalia Pelykh**

Chief Accountant ____________ **Kateryna Moskvina**

Україна * м. Київ * Акціонерне товариство "СІТІБАНК" Ідентифікаційний код 21685485

K. Moskvina
(044) 490-10-44

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5-70.

Statement of Changes in Equity
for the year 2021

'000 UAH

Item	*Notes*	Charter capital	Share premium	Reserve and other funds	Other additional capital	Revaluati on reserves	Retained earnings	Total equity
Balance as at 1 January 2020		**200,000**	**253,091**	**482,085**	**-**	**103,876**	**2,212,804**	**3,251,856**
Profit for the year		-	-	-	-	-	1,328,337	1,328,337
Other comprehensive income	*18*	-	-	-	-	2,531	-	2,531
Allocation of retained earnings to reserve and other funds		-	-	110,640	-	-	(110,640)	-
Dividends	*26*	-	-	-	-	-	(2,102,164)	(2,102,164)
Share-based payments	*23*	-	-	-	-	-	973	973
Balance as at 31 December 2020		**200,000**	**253,091**	**592,725**	**-**	**106,407**	**1,329,310**	**2,481,533**
Profit for the year		-	-	-	-	-	1,758 108	1,758,108
Other comprehensive income	*18*	-	-	-	-	(33,510)	-	(33,510)
Allocation of retained earnings to reserve and other funds		-	-	-	-	-	-	-
Other additional capital		-	-	-	1,875	-	-	1,875
Dividends	*26*	-	-	-	-	-	(1,329,310)	(1,329,310)
Share-based payments	*23*	-	-	-	-	-	795	795
Balance as at 31 December 2021		**200,000**	**253,091**	**592,725**	**1,875**	**72,897**	**1,758,903**	**2,879,491**

Authorized for issue and signed on

15 July 2022

Acting Chairman of the Board ______________ **Natalia Pelykh**

Chief Accountant ______________________ **Kateryna Moskvina**

K. Moskvina
(044) 490-10-44

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5-70

Statement of Cash Flows
for the year 2021
(direct method)

'000 UAH

Item	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received		1,760,843	1,688,191
Interest expense paid		(297,839)	(374,056)
Fee and commission received		316,763	294,299
Fee and commission paid		(44,730)	(50,665)
Income received from transactions with financial assets measured at fair value through profit or loss		138,786	62,548
Gains from foreign currency transactions		454,292	180,337
Other operating income received		72	232
Personnel expenses paid		(248,801)	(212,785)
Administrative and other operating expenses paid		(79,913)	(71,746)
Income tax paid		(333,526)	(297,444)
Cash flows from operating activities before changes in operating assets and liabilities		**1,665,947**	**1,218,911**
Net (increase)/decrease in operating assets:			
Financial assets at fair value through profit and loss		1,227,656	(838,738)
Deposit certificates issued by the NBU		(3,650,000)	5,750,000
Due from other banks		(15)	212
Loans and advances to customers		(5,204,810)	3,099,646
Other financial assets		(945)	(3,829)
Other assets		(6,836)	5,707
Net (increase)/decrease in operating liabilities:			
Due to banks		66,248	(348,660)
Due to customers		5,884,871	(5,244,605)
Other financial liabilities		(72,173)	205,453
Other liabilities		(9,197)	24,455
Net cash flows generated by operating activities		**(99,254)**	**3,868,552**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(4,559,103)	(7,824,500)
Proceeds from redemption/disposals of investment securities		3,774,632	4,369,936
Acquisition of property and equipment and intangible assets		(19,000)	(20,108)
Net cash flows used in investing activities		**(803,471)**	**(3,474,672)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,329,310)	(2,102,164)
Net cash flows used in financing activities		**(1,329,310)**	**(2,102,164)**
Effect of NBU's exchange rate changes on cash and cash equivalents		**(484,668)**	**2,658,766**
Net increase in cash and cash equivalents		**(2,716,703)**	**950,482**
Cash and cash equivalents at the beginning of the year	*6*	**8,660,315**	**7,709,833**
Cash and cash equivalents at the end of the year	*6*	**5,943,612**	**8,660,315**

Authorized for issue and signed on

15 July 2022

Acting Chairman of the Board ______________ **Natalia Pelykh**

Chief Accountant ______________ **Kateryna Moskvina**

м. Київ * Україна * Акціонерне товариство "СІТІБАНК" Ідентифікаційний код 21685485

K. Moskvina
(044) 490-10-44

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 5-70.

Note 1 Background Information about the Bank

The Bank’s Name and Location

Joint Stock Company “CITIBANK” (short name JSC “CITIBANK”). Head office of JSC "CITIBANK” is located at the address: Ukraine, Kyiv, 03150, 16-Г, Dilova St.

The Bank’s Organizational Structure

Under Ukrainian legislation, Joint Stock Company “CITIBANK” (hereinafter the Bank) is a Ukrainian legal entity. The Bank is a member of the unified banking system of Ukraine. It has the right to acquire, on its own behalf, property, property and non-property rights and assume obligations; can make own contracts both within the Ukrainian jurisdiction and abroad, provided their conclusion or execution is not banned by Ukrainian laws; and sue, be sued or act as the third party in arbitrage or any other court of law.

JOINT STOCK COMPANY “CITIBANK” is a legal successor of PUBLIC JOINT STOCK COMPANY “CITIBANK” with regard to all its property, rights and obligations. On 26 April 2018, the General Meeting of Shareholders approved a decision to change the Bank’s legal form from public to private joint stock company with subsequent amendment of its name to JOINT STOCK COMPANY “CITIBANK”, which is a new name for the PUBLIC JOINT STOCK COMPANY “CITIBANK” (Minutes of the General Meeting of Shareholders No.40 dated 26 April 2018).

In its turn, PUBLIC JOINT STOCK COMPANY “CITIBANK” was the legal successor of the rights and obligations of the Joint-Stock Commercial Bank “Citibank (Ukraine)”, which was established in accordance with the relevant Memorandum of Association on creation of the Joint-Stock Commercial Bank “Citibank (Ukraine)” concluded on 19 March 1998, pursuant to the Shareholders’ Resolution on setting up and operation of the bank, approved by the Constituent Assembly held on 31 March 1998 and registered by the National Bank of Ukraine (hereinafter: the NBU) as at 11 May 1998, No. 274.

On 30 October 1998, the Bank has acquired a package of licenses authorizing it to conduct all basic wholesale and retail banking operations for corporate and private customers (both residents and non-residents) (on 4 December 2001 the Bank was granted another Banking License No. 193 and Permission No. 193-1 related to the adoption of the new Law of Ukraine “On Banks and Banking” No.2121-III dated 7 December 2000).

Renaming from the PUBLIC JOINT STOCK COMPANY “CITIBANK” (full name) and PJSC “CITIBANK” (abbreviated) to JOINT STOCK COMPANY “CITIBANK “(full name) and JSC “CITIBANK” (abbreviated) occurred on 07 June 2018 through making an entry in the Unified State Register for Legal Entities and Individual Entrepreneurs. The change of the name did not require changing the Banking License or the General License for transactions in foreign currencies of the Bank.

Renaming from the Joint-Stock Commercial Bank “Citibank (Ukraine)” to PUBLIC JOINT STOCK COMPANY “CITIBANK” (full name) and PJSC “CITIBANK” (short name) was made on 22 October 2009 through making an entry in the Unified State Register for Legal Entities and Individual Entrepreneurs. Consequently, the Bank received a new Banking License No. 193 and Permission No. 193-3 on 2 November 2009. Related to the amendments made to the Law of Ukraine “On Banks and Banking”, the Banking License was replaced by a new one No.193 as at 12 October 2011 and Permission No.193-1 was replaced by a General License for transactions in foreign currencies No.193 and a Supplement to General License for currency operations No.193 as at 12 October 2011. The availability of record of valid banking license in the State Register of Banks is confirmed by Extract from the State Register of Banks ДРБ-000045 dated 16 August 2021 (Law of Ukraine No.1587-IX “On amending certain legislative acts of Ukraine as regards improvement of organization of corporate governance in banks and other matters of operation of the banking system” dated 30 June 2021).

The Bank has licenses issued by the National Securities and Stock Market Commission (hereinafter: NSSMC) for operations in the stock market:
- License series AE No.642056 for professional activity in stock market broking, issued on 19.06.2015, with an unlimited term.
- License series AE No.642057 for professional activity in stock market dealing, issued on 19.06.2015, with an unlimited term.
- License series AE No.286538 for professional activity in the stock market - depository activity of a depository institution, issued on 08.10.2013, with an unlimited term.

As at 31 December 2021 the Bank is neither a controller not a member of a non-bank financial group. As at 31 December 2021 the Bank has no subsidiaries.

As at 31 December 2021, the staff of the Bank amounted to 186 persons (as at 31 December 2020 – 180 persons).

Name of Governing Body the Bank is in Subordination to (Name of Parent Company)

Citigroup Inc. financial corporation is the ultimate beneficiary of the Bank (Headquarters in the city of New York, USA).

Participation in the Deposit Guarantee Fund

As at 31 December 2021, the Bank is a participant of the Deposit Guarantee Fund (Certificate No.130 issued 8 November 2012; Registration Date: 28 November 2000, Register No. 140). The Bank was not transferred to temporary participant’s status.

Management’s Stake in the Bank’s Equity

As at 31 December 2021 and 31 December 2020, the Bank’s management did not own any of the Bank’s shares.

The list of shareholders with significant interests in the Bank’s equity is presented below:

	31 December 2021	31 December 2020
Citibank Overseas Investment Corporation	67%	67%
Citicorp Leasing International LLC	33%	33%
Total	**100%**	**100%**

Reporting Date and Reporting Period

The Bank’s financial statements were prepared as at and for the year ended 31 December 2021.

Approval of the Financial Statements for Issue

The financial statements for the year ended 31 December 2021 were approved for issue by the Bank’s Management Board on 15 July 2022.

Note 2 Economic Environment of the Bank’s Operations and going concern

The Bank operates in Ukraine. Despite the fact that the economy of Ukraine is considered a market economy, it continues to demonstrate certain features inherent in a developing economy. Such features are characterized, but not limited, by low liquidity in capital markets and inflation.

The legal, tax and regulatory framework continues to develop, but is subject to various interpretations and frequent changes, which creates obstacles to the activities of economic entities operating in Ukraine.

In March 2014, the Russian Federation annexed the Autonomous Republic of Crimea, not recognized by Ukraine and other countries. In spring of 2014, an armed conflict started in certain districts of Luhansk and Donetsk regions of Ukraine, which was provoked by the actions of the Russian Federation. As a result, part of Donetsk and Luhansk regions remains under the control of two self-proclaimed republics located on the territories of these regions, where the Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. On 21 February 2022, the Russian Federation officially recognized the legal status of the self-proclaimed republics stated above and allowed the use of its armed forces in these territories.

On 24 February 2022, Russian troops invaded Ukraine and commenced military activities on a large part of its territory. These events led to human casualties, significant dislocation of the population, infrastructure damage and had a significant negative impact on the business environment in Ukraine, including the ability of many enterprises to continue their activities as usual. In response to the military actions, the Decree of the President of Ukraine № 64/2022 introduced martial law, which is currently extended until 23 August 2022.

With the beginning of the invasion of Russian troops in Ukraine, all rating agencies have worsened its credit rating. Thus, on 25 February 2022, Fitch lowered its rating to CCC level, on 4 March 2022, Moody's Investors Service lowered its rating to Caa2 level, and on 11 March 2022, Standard & Poor's lowered its rating to B-level with a view to a possible decline. On 23 May 2022 Moody's Investors Service lowered Ukraine rating to Caa3 level.

Under current conditions, the Bank continues its operating activities. To the full extent permitted by the current legislation, the Bank provides financial services to customers in accordance with the concluded contracts. The Bank has the technical ability to maintain its operations within the terms and conditions that meet the requirements of the regulator and customer expectations. As of the date of approval of these financial statements, there has been an increase in the balance on the current accounts of the Bank's clients and a gradual increase in the demand for credit financing from customers. The Bank's personnel are provided with all proper conditions and opportunities for safe living and effective work. Also, the Bank continues to comply with all internal procedures as set in the system of internal risks and controls. The Bank's management believes that 76% of the Bank's assets as at 31 December 2021 consist of highly liquid financial instruments (current accounts and deposits opened in foreign and state banks, government bonds, NBU deposit certificates). In addition, the Bank fulfills liquidity and equity normatives, and the management of the Bank and the Group does not intend to terminate or liquidate the Bank's activities in Ukraine.

The Bank's going concern assessment was based on cash flow forecasts which in management's view support the assertion that the Bank will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment. Although the management staff of the Bank believes that it is taking appropriate measures to support the stable activities of the Bank, necessary under existing circumstances, the general uncertainty caused by military actions in the territory of Ukraine, which are ongoing, can cause a negative impact on the results of the activities and the financial condition of the Bank, the nature and consequences of which are currently impossible to determine.

As of the date of approval of these financial statements, it is difficult to predict the time period and extent of military activities in Ukraine. These financial statements reflect the management's current assessment of the impact of the hostilities on the operational activity and financial condition of the Bank. Future conditions of activity may differ from the assessment of management personnel. Continuation of military activities and martial law may lead to the introduction of additional administrative restrictions. Further, prolongation of military activities may result in human resources shortages necessary to conduct the daily operating activities of the Bank. These events and conditions indicate the existence of a material uncertainty, which may cast significant doubt on the Bank's ability to continue as a going concern as usual.

These financial statements were prepared on the basis of the principle of the going concern and does not contain any adjustments that would be necessary if the Bank could not continue its activities as a going concern.

Note 3 Basis for Preparation of the Financial Statements

The Bank's financial statements herein were prepared in compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations released by the IFRS Interpretations Committee (IFRIC), as well as in accordance with the requirements of the National Bank of Ukraine on disclosure of information in annual financial statements set out in Regulation of the NBU Board No.373 of 24 October 2011 "On Approval of Guidelines on Preparation and Disclosure of Financial Statements of Banks in Ukraine".

The Bank maintains its accounting in accordance with the regulatory requirements related to accounting and financial reporting in the banking institutions of Ukraine, established by the rules of the National Bank of Ukraine based on IFRS.

These financial statements are prepared on the historical cost basis, except for measurement of some financial instruments in accordance with IFRS 9 Financial Instruments (hereinafter - IFRS 9) for the reporting period.

There are no assets that would not have been recognized in the Statement of Financial Position as at 31 December 2021 in accordance with IFRS.

The functional currency and presentation currency of the Bank's financial statements is hryvnia. If not stated otherwise, these financial statements are presented in thousands of hryvnias.

Note 4 Significant Accounting Policies

4.1 Key accounting estimates and judgments used in applying accounting policy principles

The preparation of the financial statements in conformity with IFRS requires management to make a number of judgements, estimates and assumptions that have effect on application of the accounting policies and disclosure of assets and liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

Professional judgments that have the most significant effect on the amounts disclosed in the financial statements and estimates that may result in significant adjustments to the carrying amount of assets and liabilities during the following financial year include:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be obtained through observation of active markets, it can be determined by a set of measurement techniques that include the use of mathematical models. Model input data include observable market information; in the case where this is not possible, application of judgments is required.

Classification of financial assets

Assessment of a business model for holding financial assets and an assessment that the contractual terms of a financial asset are exclusively payments of principal and interest on the outstanding principal require from management in-depth analysis and application of professional judgments.

NBU's deposit certificates with a term to maturity not more than 2 weeks are managed by the Bank to realize cash flows by collecting payments of principal and interest over the life of the instruments. Given the short-term nature of the deposit certificates and the way they are managed by the Bank the short-term certificates are held within the held-to-collect business model.

As at 31 December 2021 and 31 December 2020, all deposit certificates of the NBU are measured at amortized cost.

Expected credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the assessment of a significant increase in credit risk of the financial instrument since its initial recognition; and the inclusion of forward looking information to estimate of expected credit losses. The level of judgment that is required to estimate the expected credit loss depends on the availability of detailed information. Expected credit losses are calculated amounts taking into consideration weighted considering probability of expected credit losses. In order to assess whether there is a significant increase in credit risk on a financial instrument, the Bank compares the risk of default at the reporting date with the risk of default at the time of initial recognition of the financial instrument.

Detailed information on the use of judgment to determine the expected credit losses is disclosed in Note 4.5.

Deferred tax

Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Initial recognition of related party transactions

In the normal course of business, the Bank carries out transactions with related parties. IFRS 9 requires that financial instruments are designated at fair value at initial recognition. In the absence of an active market for such transactions, professional judgments are used to determine whether such transactions are carried out at market or non-market prices. The reason for such judgments is the pricing of similar types of transactions with unrelated parties and an analysis of the effective interest rate.

4.2 Key measurements for preparation of the financial statements

The Bank's financial statements are based on the key assumption of continuing as a going concern, the accrual principle and qualitative characteristics of comprehensiveness, relevance, reliability and comparability.

In preparing the financial statements, the Bank makes estimates and assumptions that have an impact on determining the amount of assets and liabilities, disclosing contingent assets and liabilities as at the date of preparation of the financial statements, and determining income and expenses for the reporting period.

The Bank's financial statements items are basically measured at historical cost, except for the following items specified in the accounting policies, when measurements at amortized cost or fair value are used.

Amortized cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition minus collected or paid out funds [principal amount, interest income (expense) or other payments related to initiation of a financial asset or financial liability], plus or minus the cumulative amortization assessed using the effective interest method of any difference between that initially recognized amount and the maturity amount and, for financial assets, adjusted for assessed ECL allowance.

Gross carrying amount of the financial instruments is the amortized cost of a financial asset, before adjusting for any loss allowance.

The effective interest rate method is a method of calculation of a financial asset or liability amortized cost (or a group of financial assets and liabilities) and allocation of the interest income or interest expense over a relevant period. The effective interest rate is a rate that precisely discounts the future cash payments or income during the financial instrument expected useful life to the gross carrying amount of the financial asset or amortized cost of the financial liability. In calculation of the effective interest rate the Bank measures cash flows with regard to all contractual terms pertinent to the financial instrument, and not considering expected credit losses. An effective interest rate adjusted for credit risk is a rate that accurately discounts the expected future cash inflows or inflows over the expected life of the financial asset to the amortized cost of a financial asset that is purchased or originated credit-impaired financial asset. The Bank calculates the effective interest rate adjusted for credit risk based on future expected cash flows, taking into account all contractual terms of the financial asset and expected credit losses.

For debt financial instruments the Bank recognizes interest income (interest accrual, discount / premium amortization) at the effective interest rate during the period from the date of purchase to the derecognition date (sale, assignment, repayment, write-off against allowance), reclassification.

Interest income of financial assets at amortized cost is recognized at the effective interest rate to gross carrying amount, except for:

1) purchased or originated credit-impaired financial assets (or 'POCI' assets). For these 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;

2) financial assets that were not purchased or originated credit-impaired financial assets but subsequently became credit-impaired. For these financial assets, the Bank should apply effective interest rate to amortized cost of the financial asset in the subsequent reporting periods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Bank uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Bank using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. using the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

4.3 Initial recognition of the financial instruments

A financial instrument is a contract whereby one entity receives a financial asset while the other recognizes a financial liability or an equity instrument.

A financial asset is any of the Bank’s assets which is:
- Cash or cash equivalent;
- Equity instruments of another entity;
- Contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Bank;
- Contract that will or may be settled in the other entity's equity instruments and is either a non-derivative for which the Bank is or may be obliged to receive a variable number of its own equity instruments, or a derivative that will or may be settled in a way other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

A financial liability is any of the Bank’s obligations which is:

- Contractually-based obligation (to pay or transfer a financial asset to another party of the contract, or exchange financial assets or liabilities under conditions that are potentially unfavorable for the Bank); or
- Contract that will or may be settled by the Bank’s equity instruments, and is either a non-derivative for which the Bank is or may be obliged to transfer a variable number of its own equity instruments, or a derivative that will or may be settled in a way other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

The Bank’s equity instrument is any contract that represents the residual part in the Bank’s assets after deduction of all its liabilities.

The Bank recognizes a financial liability in its financial statements only when it becomes a party to a contractual provision of the instrument.

At initial recognition of financial instruments at fair value through profit or loss, are classified by the Bank at fair value less transaction costs. The Bank carries transaction cost on purchase of these financial instruments on expense account at the transaction date.

All other financial instruments at initial recognition are classified by the Bank at fair value plus transaction cost.

All financial liabilities, other than those that were classified as financial liabilities at fair value through profit or loss, and financial liabilities that arise when the transfer of a financial asset carried at fair value, does not meet the criteria for derecognition, are measured at amortized cost using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the book value of the respective instrument and amortized using the effective interest rate method for this instrument.

4.4 Classification of financial assets

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not designated as asset at fair value through profit or loss:

• it is held within the Hold to Collect business model, where financial assets are held to obtain contractual cash flows, and
• its contractual terms foresee contractual cash flows that are solely payments of principal and interest on principal amount outstanding (SPPI).

A financial asset is classified at fair value through other comprehensive income and the Bank does not classify it at own discretion as classified at fair value through profit or loss at initial recognition and only if it meets both of the following conditions:

• the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• its contractual terms foresee contractual cash flows that are solely payments of principal and interest on principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably categories a financial asset that would otherwise be qualified as asset at amortized cost or FVOCI as FVTPL asset if such categorization eliminates or significantly reduces irregularities in the accounting records that could have originated otherwise.

Business model assessment

The Bank assesses the purpose of a business model for holding an asset on the financial asset portfolio level, because it best reflects the way business is managed and information is provided to management personnel. The following information is considered:

• the stated policies and objectives for the portfolio of the financial assets and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the maturities of the financial assets to the maturities of the liabilities that are funding those assets or realizing cash flows through the sale of assets;
• how the performance of the portfolio is evaluated and reported to the Bank's management;
• the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
• how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets held for trading and those managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets recognized in the accounting are reclassified only if the business model of the Bank transactions changes.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principle (SSPI criterion), the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition.

In conducting the assessment, the Bank will analyses:
• contingent events that may change the amount and timing of cash flows;
• leverage features;
• terms on early repayment and extending the validity;
• terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
• features that modify consideration for the time value of money – e.g. periodic revision of interest rates.
The term on early repayment meets the SPPI criterion in the event that the amount paid at early repayment is essentially an outstanding part of a principal and interest on principal part outstanding and may include reasonable additional consideration for early termination of the contract.

In addition, the term on early repayment is considered to be in compliance with this criterion in the event that a financial asset is acquired or originated with a premium or a discount to a nominal contractual amount, the amount payable on early terms, is essentially the nominal contractual amount plus the interest accrued (but not paid) specified in the contract (and may also include reasonable additional consideration for the early termination of the contract); and at initial recognition of a financial asset, the fair value of the early repayment term is insignificant.

4.5 Impairment

Application of a new expected credit losses (ECL) approach under IFRS 9 requires significant professional judgements from the Bank to assess the effect of changes of economic factors on expected credit losses by weighting the probability that they occur.

The impairment model is applied to the following financial instruments that are not classified at fair value through profit or loss:

• financial assets that are debt instruments;
• lease receivables; and
• loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

Allowance for expected credit losses are recognized by the Bank in an amount equal to either expected credit losses for 12 months or expected credit losses over the lifetime of the instrument. Expected credit losses over the lifetime of the instrument are expected credit losses that arise from all possible default events over the entire expected life of the financial instrument, while expected loan losses for 12 months represent an important part of the expected credit losses arising from the events of default, possible within 12 months after the reporting date.

The Bank assesses the financial assets quality as follows:

- if the credit risk has not significantly increased since its initial recognition, then allowance for expected credit losses is equal to 12 months expected credit losses (12-months ECL);

- in case of significant increase in credit risk since its initial recognition, the Bank recognizes allowance for expected credit losses at the amount equal to lifetime expected credit losses (lifetime ECL);

- if during the previous reporting period the Bank formed allowance for expected credit losses in the amount equal to lifetime ECL, but as at the current reporting date credit risk showed significant decrease to its initial amount, the Bank resumes assessment of credit loss equal to the amount of 12 months ECL.

The exceptions are purchased or credit-impaired financial assets (POCI), their allowance for expected credit losses is always equal to lifetime ECL.

The Bank uses 3 Stage model that is based on the change in loan quality since its initial recognition:

Stage 1 includes financial instruments, which did not experience significant credit risk increase since their initial recognition. For these assets a 12-month ECL is recognized, which represent "part of expected credit losses during the term of the default as a result of a default event that is possible within 12 months after the reporting date."

Stage 2 includes financial instruments, which experienced significant credit risk increase since their initial recognition but were not in default. For these assets the Bank recognizes a lifetime ECL, that represents the probability of default occurring over the remaining lifetime of the financial asset.

Stage 3 includes financial instruments, which are considered credit-impaired. In this case credit losses have already been incurred. For these assets the Bank recognizes lifetime ECL, that represents losses from all probability of default occurring over the remaining lifetime of the financial asset.

All repurchased or originated financial assets that are not POCI are included in the Stage 1 from the very beginning, regardless of risk category. Subsequently, the Bank performs appropriate assessment at each reporting date.

Measurement of ECLs

Expected credit losses are calculated amounts taking into consideration weighted considering probability of expected credit losses. They are assessed by the Bank as follows:

• financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
• financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
• undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down by the issuer and the cash flows that the Bank expects to receive; and
• financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Significant increase of credit risk and default definition

In determining whether there is a significant increase in credit risk (i.e. risk of default) of a financial instrument since its initial recognition, the Bank considers valid and verifiable information that is relevant and accessible without excessive cost or effort, including both quantitative and qualitative information, as well as an analysis based on the Bank's historical experience, an expert assessment of loan quality and forward-looking information.

An assessment of a significant increase in credit risk since the initial recognition of a financial instrument requires determining the date of the instrument initial recognition. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was first entered into could be a long time ago. Changing the contractual terms of a financial instrument may also affect this assessment.

The Bank uses a risk-rating system designed in accordance with the requirements of the Citigroup corporate credit policy (ICG Risk Manual) to determine a significant increase in credit risk and event of default.

Definition of default

Asset is considered to be credit-impaired if it meets at least one of the following requirements:
- Risk-rating of a transaction is 8, 9 or 10 (default ratings);
- Debt is past due >= 90 days;
- Write-off of a substantial amount of debt (there was a write-off of debt against the formed provision or sale with a loss in the amount of 20% or more percent of the total borrower's debt);
- Restructuring (amended terms of the agreements due to financial difficulties of the borrower).

Credit-impaired assets is categorized within Stage 3, or POCI.
In assessing occurrence of a default event for a financial instrument, input data and its significance may change with time in order to reflect changes in circumstances.

The Bank defines financial assets as individually-significant and individually-insignificant to calculate the allowance.

For impaired and individually significant assets, the Bank determines the impairment on an individual basis. For impaired and individually insignificant and non-impaired financial assets, the Bank determines the impairment on a collective basis.

Financial assets are written-off against accumulated allowance in the absence of reasonable expectations regarding their repayment in accordance with the decision of the Bank's management.

Additional information about impairment is provided in Note 28.

4.6 Derecognition and contract modification

A financial asset (or a part of a financial asset or a part of the group of similar financial assets) is derecognized if:

- the right to obtain cash flow from a financial asset has expired;
- the Bank transferred rights to obtain cash flow from a financial asset, or the Bank retained the right to obtain cash flow from a financial asset, but has taken a contractual obligation to transfer them in full and without a delay to a third party under the "transit agreement" terms;
- the Bank has transferred substantially all risks and rewards associated with an asset, or has not transferred or retained substantially all risks or rewards associated with an asset, but transferred the control over this asset.

In the event that the Bank transferred its rights to obtain cash flows from an asset and at the same time did not transfer or retain any risks or rewards associated with an asset, nor did it transfer control over this asset, such an asset continues to be reflected in the account within the extent of its continuing involvement in this asset. Further participation of the Bank in an asset represented by in the transferred asset is assessed at the lower of the following values: original book value of the asset or maximum amount of compensation that may be presented to the Bank for payment.

Transfer of financial assets leads to their derecognition if the Bank has transferred substantially all risks and rewards of the asset and transfers control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another liability to the same creditor on substantially different terms or in the event of material changes to the terms of an existing liability, the original liability is derecognized and the new is recorded in the accounting with the recognizing the difference between the extinguished liability and new financial liability carrying amount in the statement of profit or loss and other comprehensive income.

The Bank represents in the accounts the changes of the contractual terms or modifications of the financial asset that leads to revising the related cash flows as follows:

– the initial financial asset is derecognized and the new one is recognized in the accounts; or
– initial financial asset continues to be recognized under the new terms.

Modification of contractual terms that result in derecognition (extinguishment) of the original financial asset and recognition of a new modified asset with the consequence is considered as significant modification.

The criteria to determine if modifications of contractual terms are significant and will, therefore, result in derecognition (extinguishment) of the old asset and recognition of a new, modified asset are:
- change of currency and/or;
- introduction of clauses that would normally cause the SPPI criteria to fail;

- changes in the type of instrument (i.e. loan to bond).

Significant modifications of contractual terms (e.g. renegotiations) result in derecognition (extinguishment) of the old asset and recognition of a new modified asset with the consequence that the existing asset has to be derecognized and the derecognition gain/loss (difference between amortized cost and fair value of the newly recognized instrument) presented as a separate line item.

After that a new (modified) asset has to be recognized. The initial measurement should be at fair value.

If the contractual terms on a financial asset are revised by agreement of the parties or any other not significant modification occurs, which does not result in derecognition of the original financial asset, the Bank shall recalculate the gross carrying amount of the asset and recognize the income or expense from the modification.

The Bank calculates a new gross carrying amount as the present value of the revised or modified contractual cash flows, discounted at the original effective interest rate (or the original effective interest rate, adjusted for credit risk - for purchased or originated credit-impaired financial assets - 'POCI' assets).

Transaction costs are included in the carrying amount of the modified financial asset and amortized over its lifetime.

The difference between the gross carrying amount under original terms and the gross carrying amount under revised or modified terms is recognized by the Bank as the income or expense from the modification.

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. The Bank subsequently applies the accounting policy related to the modifications accounting to other changes.

4.7 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the NBU, current accounts with other banks, short-term placements with other banks with a maximum of 90-day maturities from the date of origination, which are not encumbered by any contractual obligation and which are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortized cost.

4.8 Due from banks

In the normal course of business, the Bank provides loans and deposits to other credit institutions for certain periods. Amounts due from credit institutions are initially recognized at fair value. Amounts due from credit institutions with a fixed maturity are measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of allowance for expected credit losses.

4.9 Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Based on the business model of the Bank and the characteristics of contractual cash flows, loans and advances are recorded at amortized cost.

Initial cost comprises the amount of cash and their equivalents paid or fair value of other resources transferred for the purchase of an asset as at the date of acquisition plus transaction costs.

After the initial recognition the Bank evaluates loans at amortized cost using the effective interest rate to calculate the interest income and amortized discounts (premiums).

The Bank includes transaction costs, which are directly related to the recognition of a financial instrument, as a part of the amount of discount (premium) related to this instrument.

The Bank amortizes the discount (premium) over the lifetime of a financial instrument using the effective interest rate. The amount of the discount (premium) must be entirely amortized as at the date when the loan (deposit) is repaid (settled).

Loans issued to customers with no fixed maturities are carried using the straight-line method. Interest income from loans and advances to customers is recognized within the interest income calculated using effective interest rate in the statement of profit or loss and other comprehensive income.

The Bank recognizes loans and advances impairment through the formation of allowance for expected credit losses. The book value of an asset is decreased by the allowance amount. The loss is recognized in the statement of profit or loss and other comprehensive income.

4.10 Investments in securities

The Bank classifies and measures investments in securities based on the business model that is used to manage these assets and characteristics of contractual cash flows.

Investment securities include:

– securities carried at amortized cost.
  The Bank measures and carries securities at amortized cost, if both of the following conditions are met simultaneously:
    1) a financial asset is in Hold to Collect business model with the purpose is to hold financial assets for obtaining contractual cash flows;
    2) the contract for a financial asset foresees obtaining cash flows at specified dates that are solely payments of principal and interest on outstanding principal amount.
  These securities are initially classified at fair value plus additional direct operating expenses, and subsequently at amortized cost using the effective interest method.

– securities carried at fair value through other comprehensive income.
  The Bank measures and carries securities at fair value through other comprehensive income, if both of the following conditions are met simultaneously:
    1) a financial asset is in Hold to Collect and Sell business model with the purpose is to hold financial assets for obtaining contractual cash flows and to sell financial assets;
    2) the contract for a financial asset foresees obtaining cash flows at specified dates that are solely payments of principal and interest on outstanding principal amount.
  For this financial asset the Bank recognizes gain or loss in other comprehensive income before the derecognition or reclassification date, except for gains or losses from its impairment, interest income and gains or losses from changes in the official exchange rate of hryvnia to foreign currencies. If a debt financial asset classified at fair value through other comprehensive income is derecognized, a cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss.

– securities carried at fair value through profit or loss. These include:
    1) debt securities, shares and other financial investments held for sale;
    2) any other securities and other financial investments that are purchased with the purpose of sale the soonest possible and obtaining profit from short-term price fluctuations or dealer margin; and
    3) financial investments that at initial recognition are part of financial instruments portfolio that are collectively managed, and for which there is evidence of factual short-term profit receipt.

Also, the Bank measures securities at fair value through profit or loss, if these financial assets do not meet the criteria for their further measurement at amortized cost or at fair value through other comprehensive income. Securities carried at fair value through profit or loss are initially measured and recognized in accounting at fair value also. Transaction costs are recognized in expense accounts at their initial recognition. Interest earned on these securities is calculated using the effective interest rate method and is disclosed in the statement of Profit or Loss and Other Comprehensive Income as another interest income. All other elements of changes in fair value and profit or loss from derecognition are included in the Statement of Profit and Loss and Other Comprehensive Income less losses from trade securities, for the period in which it arises.

Revaluation of financial instruments measured at fair value is carried by the Bank in case their fair value is changed and is recognized by the Bank in the statement of profit or loss and other comprehensive income.

Where possible, the Bank measures fair value of the instrument using quotes for such instrument in an active market. The market is considered to be active if the transactions with assets or liabilities occur with a sufficient frequency and in volumes that ensure the availability of pricing information on a continuous basis. Inactive market characteristics typically include a significant reduction in volumes and level of activity involving an asset or liability; quotes that differ significantly with the time or depending on the market participants providing quotations; the indices for which there was a close correlation with an asset or liability fair value in the past, and now, quite obviously, they are no longer correlate with recent values of an asset or liability fair value. For existence of an active market it is required that the prices are available in free access and the transactions are regular on a commercial basis.

If there are no quotes in the active market, the Bank applies valuation techniques that maximize the use of relevant available input data and minimize the use of inaccessible data. The chosen method of valuation includes all factors that the market participants take into account when determining the actual selling price of the instrument.

4.11 Derivative financial instruments

In the course of its normal activity, the Bank uses various derivatives, including forwards in the currency and stock markets. These financial instruments are held for trading and are carried at fair value. Fair value is determined on the basis of market quotations or valuation models based on the current market and contractual value of the relevant underlying instruments and other factors.

Derivatives are carried as assets if their fair value is positive and as liabilities if it is negative. Gains and losses on these instruments are included in profit or loss as net income from operations with foreign currencies, depending on the nature of the instruments.

4.12 Income tax

Income tax expense is the aggregate amount of current and deferred tax.

Measurement of current tax expense is based on the tax legislation of Ukraine.

The Bank recognizes current income tax on a monthly basis. Adjustment of the recognized income tax is carried out after the submission of the tax return.

The taxable income differs from the accounting income reflected in the statement of profit or loss and other comprehensive income since it does not include items of income or expense that are taxed or considered as expenses in other periods and also excludes items that are not taxable and are not considered as expenses for tax purposes.
Deferred tax assets and liabilities are recognized at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is measured using the balance sheet liability method with regard to all temporary differences between the carrying amounts of assets and liabilities and their tax base. Deferred tax asset is recognized if it is probable that taxable profit will be obtained in the future so that unused tax losses and deferred tax assets can be utilized against it.

Deferred tax assets and liabilities are recognized and measured separately and are offset in the statement of financial position.

Deferred tax is reflected in the statement of profit or loss and other comprehensive income.
Income tax and deferred tax are calculated based on the current base tax rate of 18%.
Besides, there are various operational taxes applicable to Bank operations in Ukraine. These taxes are reported as administrative and operational expenses.

Deferred tax assets and liabilities are not discounted.

4.13 Property and equipment

Property and equipment are accounted at initial cost - historical (actual) cost of property and equipment in the form of a cash amount or the fair value of other assets paid (transferred), spent for the acquisition (creation) of property and equipment. The historical cost also includes all costs associated with delivery, installation, commissioning of the property and equipment.

The carrying value of the acquired assets is defined as the sum of the purchase price and other costs directly attributable to the acquisition and preparation of the assets for use.

The acquisition cost of assets (initial cost) includes all costs related to the acquisition (purchase price including import duties, indirect taxes if they are not compensated by the bank), delivery, installation, construction, installation and commissioning into operation. Administrative and other expenses that are not directly related to the cost of acquisition of the object or bring it to working condition are not included in the initial cost of this object.

As an item of property and equipment is initially recognized, it is further recorded at initial cost (cost price) less accumulated depreciation and accrued impairment loss.

The carrying amount of property and equipment is assessed for impairment loss in case of events or circumstances indicating that probability exists that the carrying amount of an asset will not be recovered in full.

The Bank does not reevaluate its property and equipment carrying amount.

Depreciation charges are calculated as soon as the asset has been brought to working condition for its intended use.

The initial cost of an item of property and equipment is subject to the depreciation charges. Depreciation is charged under the straight-line method on a monthly basis during the assets’ expected useful life.
Depreciation rates and expected periods of useful life are set as follows:

Groups of property and equipment	Annual depreciation rate	Useful life in years
Land plots	Expected useful life is unlimited	
Buildings, constructions and transmission facilities	2%	50
Machinery and equipment:		
- telecommunication equipment and systems	20%	5
- computers and computer peripherals	33.3%	3
Motor vehicles	25%	4
Tools, devices, appliances (furniture)	25%	4
Other property, plant and equipment	25%	4
Other non-current tangible assets	100%	1

Depreciation is discontinued on the earlier of: the date when an asset is classified as held for sale or the date an asset is derecognized.

The calculation methods for residual value, periods of useful life and assets’ depreciation are reviewed and adjusted (if needed) at least at each financial year-end.

Outlays on repair and maintenance are recognized under general administrative expenses in the period when they were incurred, except for instances when such outlays must be capitalized.

In case the carrying amount of property and equipment increases as a result of their improvement, the value of such improvement will be subject to depreciation within the remaining period of the asset’s useful life. If the asset’s improvement may extend its useful life, the useful-life period may be extended based on the documented decision of an inventorying commission (an act or a report).
Low-value and short-lived non-current tangible assets (valued at or under UAH 6,000) and used over one year or less are not subject to depreciation. Acquisition costs of such assets are recognized on the relevant Bank’s expense accounts.

Capital investments in leased property are amortized over the useful life of the related leased asset. Expenses related to repairs and renewals are included in operating expenses at the time of implementation, if they do not meet the criteria for capitalization.

4.14 Intangible assets

Intangible assets are initially recorded in the books at initial (historical) cost. The initial cost of the acquired intangible asset includes the acquisition cost (less trade discounts), duties, indirect taxes that are not refundable, and other expenses directly related to the asset’s acquisition and bringing it to working condition for its intended use.

After the initial recognition of an intangible asset, its bookkeeping is further carried at initial cost (cost price) less accumulated depreciation and accumulated impairment loss.

The Bank does not revaluate carrying amount of intangible assets.

Amortization of intangible assets is charged under the straight-line method on a monthly basis. The period of useful life and residual value are established at acquisition (origination) of the intangible asset.

Intangible assets have limited and undefined periods of useful life.

Useful life and amortization pattern of intangible assets with a limited period of useful life are reviewed at least at each financial year-end.

Intangible assets with undefined periods of useful life are not amortized. Such assets are reviewed for impairment by way of comparing their expected recoverable values with their balance sheet values: both on annual basis and each time when there are indications of potential impairment of the intangible assets.

Intangible assets have annual amortization rates and periods of useful life from 2 to 5 years.
In case when conditions of the intangible asset’s usage are non-standard and the estimated period of useful life does not coincide with the aforementioned, the period of useful life is defined by a specially appointed commission approving the start

of usage for property, equipment and intangible assets and is recorded in the appropriate form of the delivery and acceptance act.

If the carrying amount of an intangible asset increases as a result of its improvement, the value of such an improvement becomes subject to amortization within the remaining part of the intangible asset's useful life. In case the asset's improvement extends its useful life, the period of useful life may be extended based on the documented decision of an inventorying commission (an act or a report).

The carrying value of intangible assets is reviewed for impairment when events or circumstances that would indicate the likelihood that the carrying value may not be recoverable in full.

4.15 Operational lease, whereby the Bank is a lessor or lessee

As a lessee

Lease agreement measurement

The contract is, or contains a lease if the following conditions are met:

1) the asset is identified;
2) the right to obtain substantially all of the economic benefits from use of the identified asset is transferred to the lessee;
3) the contract conveys the right to direct the use of the identified asset for the entire period of use to the lessee in exchange for consideration;
4) the lessor has no substantive right to substitute the asset throughout the period of use.

The Bank determines the lease term as the non-cancellable period of a lease, together with both:

1) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
2) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Bank revises the term of the lease if there is a change in the non-cancellable period of the lease. Lease payments are recognized as expenses on a straight-line basis over the term of the lease.

Recognition of leases by lessee.

At the commencement date, a lessee shall recognize the right-of-use asset and lease liability. The lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset comprises:

1) the amount of the initial measurement of the lease liability;
2) any lease payments made at or before the commencement date, less any lease incentives received;
3) any initial direct costs incurred by the lessee;
4) costs to be incurred by the lessee in dismantling and removing the underlying asset, or restoring the underlying asset to the condition required by the terms and conditions of the lease. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments for the right-of-use asset are discounted over the term of the lease using the interest rate implicit in the lease. The lessee uses the lessee's incremental borrowing rate implicit in the lease if that rate cannot be readily determined.

At the commencement date, the lease payments include:

1) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
3) amounts payable by the lessee under residual value guarantees;
4) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For the lessee, lease payments also include the amounts payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.

After the commencement date, a lessee measures the lease liability by:

1) increasing the carrying amount to reflect interest on the lease liability;
2) reducing the carrying amount to reflect the lease payments made;
3) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

A lessee shall remeasure the lease liability at each reporting date by discounting the revised lease payments using a revised discount rate, if any of the following conditions is met:
1) there is a change in the lease term (including a change in the assessment of an option to purchase or early terminate the lease);
2) there is a change in the assessment of the option to purchase the underlying asset (if the purchase options are used);
3) there is a change in the payments resulting from the change in the floating interest rate.

A lessee determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

A lessee shall remeasure the lease liability by discounting the revised lease payments using the fixed discount rate if either:

1) there is a change in the amounts expected to be payable under a residual value guarantee;
2) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

A lessee determines the revised lease payments for the remainder of the lease term based on the interest rate at the inception date.

A lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset (unless the carrying amount of the right-of-use asset is reduced to zero). If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss.

For subsequent measurement of the right-of-use asset, a lessee uses cost model or other measurement models applicable to assets similar to the underlying right-of-use asset.

Subsequent to the initial recognition, the lessee charges depreciation on the right-of-use asset, reviews the asset's fair value, and recognizes any impairment losses in accordance with the measurement model applied to assets similar to the underlying asset.

As at 31 December 2021 and 31 December 2020, the Bank has no lease agreements for which it acts as a lessor.

4.16 Borrowed funds

Borrowed funds are made up of due to other banks (LORO accounts, received loans, attracted deposits), funds of corporate and individual customers (current accounts and term deposits).

The Bank initially recognizes financial liabilities at fair value plus transaction cost.

After initial recognition the Bank carries financial liabilities at each subsequent balance sheet date at amortized cost using the effective interest method.

Costs related to borrowed funds are recognized following the accrual and matching principle of accounting and reflected in the Statement of Profit or Loss and Other Comprehensive income when the liabilities are de-recognized and through amortization.

The Bank did not issue own debt securities.

4.17 Provisions for liabilities

Provisions for contingent liabilities are recognized when the Bank has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for contingent liabilities are estimated according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (hereinafter: IAS 37) which requires application of estimates and management judgment.

Contingent liabilities are not recognized in the statement of financial position, but are disclosed in the notes to financial statements, except for the instances when the outflow of resources is remote. Contingent assets are not recognized in the statement of financial position, but disclosed in the notes to financial statements if an inflow of economic benefits is probable.

Provisions for financial liabilities (issued financial guarantees, letters of credit, lending liabilities) are recognized based on the analysis similar to that made for loans and advances.

Financial guarantees are irrevocable commitments to make payments in cases of customers' defaults on their obligations to third parties and carry the same risk as loans. Financial guarantee contracts are initially recognized at fair value and subsequently measured at the higher of – the amount determined in accordance with IFRS 9, and the amount initially recognized less, if necessary, cumulative amortization recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:
- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the financial instrument, then it recognizes an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. An asset that is a prepaid premium is recognized only when the guaranteed amount is not credit impaired and is not associated with a significant increase in credit risk at the time when the guarantee is received. The Bank presents gains or losses on a compensation right in Net (loss)/gain from (increase)/release of ECL provision.

Provisions are measured at the best estimate of outflow required to settle the present obligation and defined through a combination of the estimated value of outflows and their probability for a large number of contracts. Assessment of outcomes and probable outflows requires implementation of the management's estimation and judgment, considering the experience of accomplishing similar transactions.

4.18 Share capital and share premium

Share capital is the shareholders' paid commitments in subscription for shares in the amounts established by the Charter.

Share premium is the amount of funds received by the Bank from the initial placement of the Bank's shares in excess of their face value.

Commitments paid to share capital received after 1 January 2001, are recognized at historical cost.

Ordinary shares and non-cumulative preference shares, which are not subject to redemption and with dividends paid upon a relevant decision, are reflected under equity. Transaction costs paid to third parties for the issue's floatation are reflected in equity as debit to the amount received from the share issue.

Dividends paid on ordinary shares are recognized as debit to equity in the period when they are announced.

4.19 Preference shares

Preference shares may be cumulative and non-cumulative, convertible and non-convertible, revocable and irrevocable, fixed-rate and non-fixed, with equity participation or without it.

Preference share attests the following rights for the holder: to receive dividends that are usually fixed and paid regardless of the performance of the Bank; preferential right (compared to holders of ordinary shares); the priority receipt of dividends; priority to participate in the distribution of Bank's property under liquidation (if the priority is provided by the terms of issue of shares).

Payment of dividends on preferred shares amounts to the size of the Bank profit. If the relevant income was insufficient, the payment of dividends on preferred stock is made from the reserve fund and when the amount of dividends paid to shareholders with ordinary shares much higher than the fixed dividend on preferred shares than latter holders may pay an additional appropriate amount. For the Bank liquidation the preference shareholders receives a proportionate part of the Bank's assets in penultimate place, i.e. after repayment of issuer to the state, creditors and the workforce (holder of common stock receives its part of the latter).

Preference share assumes that a dividend for it does not depend on the performance of the Bank. It provides the investor a fixed income, which the issuer must pay regardless of whether it made a profit in the past financial year or not.
Preference shares cannot be issued for an amount exceeding 10% of the Bank's charter fund. The order of priority of rights to receive the dividend is determined by the terms of issue.

Wherever possible the accumulation of unpaid dividends on preferred shares are classified as cumulative and non-cumulative. The majority of preferred shares have characteristics of dividends cumulation (cumulatio - accumulation) that provides to these shares higher reliability. The basis for this privilege is the following rule: dividends that were not paid to shareholders for a certain period (even for a few years) will still accumulate and accrue to the owners of the preferred shares. They would get income next year for which were missed and this income would consist of the sum of dividends for all the missing years, in other words, a single payment of accumulated multiple dividends. Instead, non-cumulative preferred shares owners lose their income for any time during which no dividends were declared. Non-cumulative action makes it impossible to attach unpaid dividends to dividend coming years.

The Bank's share capital includes 3,300 thousand preferred shares worth UAH 15,037.59 each, these shares are non-cumulative and dividends have not been paid in accordance with the decisions of the General Meeting of Shareholders.

4.20 Recognition of income and expenses

Income and expense are recognized in the accounting records and financial statements when they occur, regardless of the date of receipt or payment of cash.

Income and expenses are recognized as per each type of the Bank's activities (operating, investing, financial). Criteria for recognition of income and expenses are applied separately to each transaction of the Bank. Each type of income and expenses are reflected separately in accounting.
As the Bank's assets are used by other parties, income is recognized in the form of:

- interest income – payments for the use of cash and cash equivalents or sums owed to a participant of a banking group;
- royalties – payments for the use of long-term assets belonging to a participant of a banking group (e.g., patents, trademarks, copyright and software);
- dividends – distribution of profit to shareholders proportionally to their interest in equity.

Income and expenses are recognized under the following conditions:

- recognition of a real indebtedness in assets and liabilities of the Bank;
- the financial result of a transaction related to rendering (or receiving) a service can be reliably measured.

Income and expenses resulting from operations are established by a contract between counterparts or by other documents signed in conformity with current legislation of Ukraine.

Income is recognized as follows:

a) interest income: based on the effective interest method as prescribed by IFRS 9;
b) royalties: on the accrual basis in accordance with the substance of a relevant agreement;
c) dividends: as the shareholders obtain the right to receive payouts.

Prerequisite for interest and royalties income recognition is the probability of economic benefit; dividends are recognized if they represent a reliably measured income.

Interest is recognized in the period when it is earned and measured using the basis of its calculation and the term of relevant assets' usage.

Expenses are recognized concurrently with the reduction of assets or increase of liabilities, leading to a decrease of equity (except for the decrease of equity resulted from divestment or distribution among shareholders), provided these expenses can be reliably measured.

Expenses are recognized as expenses of a certain period together with recognition of revenue obtained as a result of expenses made.

If an asset provides receipt of economic benefits during several reporting periods, expenses are recognized through a systematic write-off of the asset's value (e.g., depreciation) during relevant reporting periods.
The Bank's expenses are recognized in the form of interest and commission expenses, expenses on formation of asset impairment loss provision, other operational expenses, general administrative expenses and income tax expense.

Expenses which are impossible to relate to an income of a specific period are reflected under expenses of the period when they are incurred.

For the trading operation in financial instruments gains and losses are recognized provided the following conditions have been satisfied:

- the purchaser has obtained substantially all risks and rewards related to ownership of the assets;
- the Bank does not retain any further involvement or control over the realized assets;
- the amount of the revenues can be measured reliably; and
- it is probable that the Bank will receive economic benefits from the transaction;
- the transaction costs can be measured reliably.

If income from service rendering is not reliably determinable, it is recognized in the amount of incurred expenses which are to be reimbursed.

Income is recognized in the amount of fair value of the assets that have been or will be received. In case of a deferred payment that results in a difference between the fair value and the face value of cash or cash equivalents due for rendered services and other assets, such difference is recognized as interest income.

The following criteria should be met for recognition of income in financial statements.

For debt financial instruments the Bank recognizes interest income (interest accrual, discount / premium amortization) at the effective interest rate during the period from the date of purchase to the derecognition date (sale, assignment, repayment, write-off against allowance), reclassification.

The measurement allows for all contractual terms with regard to a financial instrument (e.g., for the right for an early repayment) and all premiums or additional expenses directly related to the financial instrument be an integral part of the effective interest rate

The amounts of commissions included into the carrying amount of financial instrument are determined by either discount or premium. In case when commissions, included into the carrying amount of financial instrument, are payable along with the obligation to provide such financial instrument, these amounts become subject to amortization from the date of the financial instrument's recognition on the book accounts.

When a financial asset or a group of similar financial assets are credit-impaired, interest income continues to be recognized using the original effective interest rate (or the original effective interest rate adjusted for credit risk - for purchased or originated credit- impaired financial assets "POCI assets") to the amortized cost.

Interest income and expense

Interest income and expense are reflected in accounting on an accrual basis, in conformity with the reporting period, and in accordance with the substance of the relevant agreement. Interest income and expense are accrued:
- automatically on daily basis;
- manually on the last business day of the month and on the interest income and expense due date, if the accrual is not automatic.

Interest income and expense are accrued on the last business day of the month for the period including the last calendar day of the current month.

Presentation of interest income

Interest income on financial assets measured at amortized cost and at fair value through other comprehensive income are shown in line "Interest income calculated using the effective interest method" of the statement of profit or loss and other comprehensive income.

Interest income on all financial assets measured at fair value through profit or loss are shown in item "Other interest income" of the statement of profit or loss and other comprehensive income

When a financial asset of a group of similar financial assets is written off (partially written off) resulting from impairment loss, interest income is recognized using the interest rate that was used at discounting future cash flows to measure the impairment loss.

When it is probable that a loan commitment will eventuate into a loan, the commitment fee together with relevant direct costs are recognized as an adjustment to the effective interest rate of the issued loan. If it is improbable that the credit facility will be used, then the commissions are recognized as income proportional to time during the term of the commitment's validity.

Commission income and expense

Commission income is divided into two categories as follows:

- *Commission income for rendered services over a certain period*

Fees and commissions are received from rendered services over a certain period and accrued over that period. Such items include commission income and premiums from asset management, safe custody and other managerial and consulting services. Loan commitment fees, which will probably be used, and other commissions related to lending are carried over to the subsequent periods (together with any other incremental costs) and recognized as adjustments of the loan effective interest rate.

- *Commission income for rendered services in processed transactions*

Commissions received for carrying out or participation in negotiations on effecting transactions on behalf of a third party, for example, making an agreement on the purchase of shares or other securities, or a purchase or sale of company, are recognized after completion of the relevant operation. The commission or part of the commission related to certain profitability indicators is recognized after the relevant criteria are satisfied.

Identification of the nature of the commission is made in the period of drafting the financial instrument and development of the service tariff. Here at, if the commission can be separated from the financial instrument, it must be recognized under commission income/expense. The commissions embedded in the financial instrument and calculated in accordance with the determined effective interest rate for the financial instrument are recognized under interest income and expense.

The amount of a premium or components of a premium, related to certain kinds of activity, are recognized after verification of compliance with the relevant criteria.

Other income and expense

Gains (losses) on trading is a result (profit or loss) from operations of purchase and sale of various financial instruments. Including transactions with securities, foreign currency transactions under which the Bank recognizes gains and losses:

- from the sale of financial investments;
- changes in assessment (revaluation) of investments to fair value;
- from the revaluation of assets and liabilities in foreign currency in case of official rate change of hryvnia to foreign currencies.

Expenses for the formation of the Bank's special provisions are costs to cover possible impairment losses and write-offs of bad assets.

Personnel expenses are payroll costs, contributions to national social security funds, paid annual holiday allowances, sickness benefits, bonuses and rewards in kind charged in the year the relevant services are rendered by the employees. Costs of provisioning for payment of vacations and premiums are recognized as a part of staff costs.

Accounting for other income and expenses (other nonbanking operational income and expenses) is similar to that of commission income and expense, in compliance with the matching income-and-expenses principle. Thus, in particular, if the Bank has incurred expenses related to one or several future periods (e.g. subscription costs, insurance, membership fees, holiday allowance for the following months), they are reflected in expense accounts of future periods, with the subsequent regular charging to expense accounts.

Income tax is the Bank's operating expenses related to the payment of taxes in accordance with the current legislation of Ukraine and with the requirements of international accounting standards for the recognition of deferred tax liabilities and tax assets.

4.21 Revaluation of foreign currency

Bank's functional currency is the currency of the primary economic environment in which the entity operates. The functional currency and reporting currency is the national currency of Ukraine - hryvnia.

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

All assets and liabilities in foreign currency are recognized on the balance sheet with distinction between monetary and non-monetary items. The monetary items in foreign currency are recognized in accounting in foreign currency and Ukrainian currency at the NBU exchange rate at the date of the transaction and are revaluated at the change of the official exchange rate for reporting purposes.

Non-monetary items, that is the lines for which the conclusive transaction is not related to cash or cash equivalent flows, are recognized in financial statements in Ukrainian Hryvnia (UAH) through translation at the official exchange rate at the date of advance payment in the case of purchase of stocks, non-current assets, received works and services, or at the date of receiving advance in the case of rendering service, completing works, realization of non-monetary assets. Thus, income and expenses arising from closing a non-monetary item are recognized at the exchange rate effective at the date of the cash flow.

Gains and loss resulting from translation of a transaction in foreign currency are recognized in the Statement of Profit and Loss and other Comprehensive Income as a result from transactions in foreign currency – translation difference.

In the statement of profit or loss and other comprehensive income, the income and expenses with regard to instruments in foreign currency are recognized at the exchange rate effective at the date of originating such income and expenses, in conformity with the matching income and expense principle.

For the purpose of preparation of the Bank’s financial statements foreign exchange transactions of the TOM and SPOT type are recognized as at settlement date.

Exchange transactions of the FORWARD type are recognized in off-balance accounts. Revaluation of such operations in the trading portfolio is done on a daily basis with recognition on the Statement of Financial Position with regard to the forward exchange rate.

In the statement of financial position, the assets and liabilities in foreign currency are recognized at the NBU exchange rate as at the year end.

The following exchange rates (per unit) were applied for the preparation of these financial statements:

Currency	31 December 2021	31 December 2020
USD	27.2782	28.2746
EUR	30.9226	34.7396

If profit or loss per non-monetary item is recognized in other comprehensive income, any currency component of this profit or loss is recognized in other comprehensive income. If profit or loss per non-monetary item is recognized in profit or loss, any currency component of this profit or loss is recognized in profit or loss.

4.22 Employee benefits and related charges

Employee benefits are defined as:

- liability when an employee has provided service in exchange for employee benefits to be paid in the future;
- costs, the Bank utilizes economic benefit arising from service provided by an employee in exchange for employee benefits.

Employee benefits include:

a. Short-term employee benefits, such as wages, salaries and employee, social security contributions, paid annual leave and sick leave, profit-sharing and bonuses (if payable within twelve months after the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;
b. Other long-term employee benefits, including additional leave for retirement or payable academic leave, payment of jubilee or other long-service benefits, payments on long-term disability and receiving profit-sharing, bonuses and deferred compensation if they are not payable wholly within twelve months after the end of the period;
c. termination benefits.

Employee benefits include benefits provided to either employees or their dependents and may be settled by payments (or the provision of goods or services) directly to employees, their wives / husbands, children or other dependents or to others such as insurance companies.

A single fee for obligatory state social insurance is accrued on the above payments. From the accrued amount payable to employees income tax and other deductions are withdrawn in accordance to the Ukraine law.
Personnel expenses accruals are made in the year in which the associated services are rendered by employees of the Bank. Funds that are transferred in the form of accrued single contribution for obligatory state social insurance to the State Fiscal Service of Ukraine, are recognized as expenses when incurred by the Bank.

Provision for unused vacation is formed under the payment of leave and compensation provision. It consists of the amount of vacation pay and a single fee charged on that amount. Expenses for vacation pay provisioning are recognized in Personnel expenses.

4.23 Information on operating segments

Segment is a distinguishable component of the Bank that provides products or services (business segment), or is engaged in providing products or services within a particular economic environment (geographical segment) and is subject to risks and rewards that are different from those of other segments.

A segment is reported separately if most of its revenue is generated by operations in the main activity beyond the segment and simultaneously its performance indicators satisfy one of the criteria below:

- revenue by segment is 10 % or more of the combined revenue (including the banking operations within the segment);
- its financial result (income or loss) accounts for 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments;
- assets are 10 % or more of the combined assets;
- the total external revenue reported by operating segments must constitute not less than 75 % of the Bank’s total revenue. If the aggregate revenue of identified reportable segments is below that threshold, additional operating segments must be identified as reportable segments to meet the quantitative revenue threshold set out above, even if such additional segments do not meet the set out thresholds (10% is the benchmark).

If the segment’s indicators, identified in internal reporting, do not satisfy the criteria set out above, then:

- the segment may be identified a reportable segment if it has significance for the Bank in general and information on it is material;
- it needs to carry out further consolidation of two or several similar segments;
- indicators of dissimilar segments are included to aggregated items, and the indicators of the reportable segments and the Bank in general must be reconciled to these items.

The basis for allocating of revenues and expenses by segment is active and passive operations that were directly provided to certain groups of customers.

The redistribution of resources is the weighted average domestic bank transfer price, which is calculated as a percentage and determines the price of financial resources in the event of reallocation between segments and responsibility centers in the Bank’s structure.

Proceeds of reporting segment are considered as income that is directly related to the segment and the relevant part of the Bank's income attributable to the segment of external activities or transactions between other segments within the Bank.

Costs of reporting segment are considered as expenses that are related to the main business segment which is directly related to and relevant part of the costs that can be reasonably attributed to the segment and including the costs of external activities and costs associated with other segments within Bank.

The Bank operates in one geographical segment on the territory of Ukraine, so reporting for geographical segments is not provided.

4.24 Share-based payments

Certain employees of the Bank participate in the share option plan that, based on certain conditions, allows them to purchase shares of Citigroup, Inc., and the expense associated with this plan is calculated and allocated by the Bank.

The scheme envisages transacting with employees in shares, provided they continue their employment with the Bank.

Recognition of disbursements in Bank’s shares is conducted in accordance with IFRS 2 Share-based Payments (hereinafter: IFRS 2). In accordance with amendments made to IFRS 2 with regard to transactions among related parties, which became effective 1 January 2010, in its individual or separate financial reporting the entity receiving services recognizes the transaction as a share-based payment, where the settlement is made in either shares or cash through evaluation of:

- character of provided rewards;
- own rights and obligations.

The amount of received services recognized by the Bank may differ from the amount recognized by the Group or other company within the Group that performs the share-based transaction settlement.

The Bank’s expenses with regard to share-based payments are recognized together with a simultaneous increase in the equity during the option vesting period. Aggregate costs under the scheme are recognized at each balance-sheet date until the liability is settled, proportionally during the period which expires, based on the Bank's best evaluation of the number of shares to be granted as a reward. Costs reflecting changes in accrued expenses at the beginning and at the end of the reporting period are recognized as other Personnel expenses.

If the terms and conditions of the share-based payments are modified, the costs are recognized, as a minimum, at the amount of the original equity instruments, on condition the original terms and conditions of the reward are satisfied. Besides, incremental costs, which increase the total fair value of the grant, are recognized according to evaluation as at the date of the modification.

Where the share-based payment is cancelled, it should be taken into consideration as if the right thereto was transferred on the cancellation date. All costs attributable to such payment should be recognized immediately.

4.25 Transactions with related parties

In accordance with IAS 24 Related Party Disclosures, related parties are considered as one of which has the ability to control the other, is under common control or may have a significant influence in making operating and financial decisions.

The substance of the relationship is taken account when considering each possible related party and not only the legal form. Terms of transactions with related parties are set at the time of the transactions.

Related parties to the Bank are members of the Supervisory Board, Management and members of their families, entities that are under common control.

The Bank assesses credit risks associated with lending to related parties and manages them based on standards set by the National Bank of Ukraine.

In the normal course of business, the Bank provides loans and advances to customers, attracts deposits and performs other transactions with related parties.

Changes in the principles of accounting policies

The Bank has implemented the Benchmark Rate Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16) from 1 January 2021.

The Bank has implemented the changes of Phase 2 retroactively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Bank has elected not to restate comparative figures for the prior periods to reflect the application of these amendments. Since the Bank had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific accounting policies applicable from 1 January 2021 for benchmark rate reform

The Phase 2 amendments provide practical relief from certain requirements of IFRSs. This relief relates to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. The Bank subsequently applies the accounting policy related to the modifications accounting to other changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

For more information on the accounting policy, see Note 4.6. The Bank does not have significant exposures to IBOR on its financial instruments.

Note 5 Transition to New and Revised Standards

Implementation of new or revised standards and interpretations

For the preparation of these financial statements, the following list of new or revised standards was first made mandatory for the fiscal year beginning on 1 January 2021.

– IBOR Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16);
– Accounting for Lease Concessions Related to COVID-19 (Amendment to IFRS 16).

New and amended standards issued by the IFRS Board but not yet effective for the year beginning 1 January 2021

The following amended standards and interpretations are not expected to have a significant impact on the Bank's financial statements.

– Accounting for Lease Concessions Related to COVID-19, after 30 June 2021 (Amendment to IFRS 16).
– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
– Annual IFRSs improvements - 2018-2021
– Plant and equipment additions before use according to their purpose (Amendments to IAS 16)
– References to the Conceptual Framework (Amendments to IFRS 3)
– Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
– Insurance Contracts and amendments to IFRS 17 Insurance Contracts
– Classification of liabilities as current or non-current (Amendments to IAS 1)
– Disclosure of accounting policies (Amendments to IFRS 1 and IFRS Practice Statement 2)
– Business Definitions (changes to IFRS 8)
– Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12.

Note 6 Cash and Cash Equivalents

Table 6.1 Cash and cash equivalents

'000 UAH

Item	31 December 2021	31 December 2020
Cash balances with the National Bank of Ukraine (other than mandatory	1,116,319	1,080
Correspondent accounts in banks:	4,827 293	8,659,235
domestic banks	9,900	9,563
banks of other countries	4,817,393	8,649,672
Allowance for impairment	(1,781)	(46)
Total cash and cash equivalents	**5,941,831**	**8,660,269**

All of the Bank's cash balances as at 31 December 2021 and 31 December 2020 are placed on the correspondent accounts with banks of the investment grade and other banks that are neither bankrupt nor under liquidation. Geographical risk concentration of cash and cash equivalents is disclosed in Note 28.

As at 31 December 2021, the Bank had a concentration of balances on correspondent accounts of UAH 4,689,253 thousand or 97.14% due from the two largest banks that are part of the Citi Group and have credit ratings of investment grade according to Moody's and Standard and Poor's rating agencies.

As at 31 December 2020, the Bank had a concentration of balances on correspondent accounts with other credit institutions of UAH 8,505,432 thousand or 98.22% due from the two largest banks that are part of the Citi Group and have credit ratings of investment grade according to Moody's and Standard and Poor's rating agencies.

The National Bank of Ukraine determines the formation procedure and establishes requirements for the storage of minimum reserves that banks must fulfil. In accordance with the requirements of the NBU, the amount of the required reserve is calculated as a percentage of certain liabilities of the Bank for the previous reservation period and should be stored in the current account with the NBU. As at 31 December 2021 and 31 December 2020, the required reserve funds are fully included in cash and cash equivalents, as there are no restrictions on their use. The Bank complied with the required reserve requirements as at 31 December 2021 and 31 December 2020.

Expenses on allowance for expected credit losses for balances on correspondent accounts amounted to UAH 46 thousand at the beginning of the year; the allowance increased by UAH 1,735 thousand during the reporting year.

As at 31 December 2021, the Bank's cash and cash equivalents for the purposes of the statement of cash flows amounted to UAH 5,943,612 thousand (31 December 2020 – UAH 8,660,315 thousand).

Note 7 Trading Assets

Table 7.1. Trading assets

'000 UAH

Item	31 December 2021	31 December 2020
State treasury bills	1,501,427	2,729,862
Total trading assets	**1,501,427**	**2,729,862**

As at 31 December 2021 and 31 December 2020, trading assets are represented by government bonds with a book value of UAH 1,501,427 and UAH 2,729,862 thousand, respectively, purchased by the Bank for trading and mainly for the purpose of obtaining profit from short-term fluctuation in their prices. The maturities of securities as at 31 December 2021 scheduled from January 2022 through May 2023 (31 December 2020: from January 2021 through May 2022). As at the reporting date, the Bank has in its portfolio discounted and interest-bearing government bonds with interest rates in range from 11.10% to 17.25% per annum. As at 31 December 2020, the Bank had in its portfolio discounted and interest-bearing government bonds with interest rates in the range from 9.66% to 18.05% per annum.

Note 8 Due from Other Banks

Table 8.1 Due from other banks

‘000 UAH

Item	31 December 2021	31 December 2020
Deposits with other banks:	30,962	32,093
long-term deposits	30,962	32,093
Allowance for impairment	(950)	(41)
Total due from other banks	**30,012**	**32,052**

As at 31 December 2021 and 31 December 2020, the deposits with other banks included a long-term deposit used as a security for card transactions. Accrued interest, included to deposits with other banks as at 31 December 2021 and 31 December 2020, amounts to UAH 1 thousand and UAH 2 thousand, respectively.

The maximum credit risk exposure per one counterparty on due from banks as at 31 December 2021 and 31 December 2020 amounts to UAH 30,962 and to UAH 32,093 thousand, respectively.

Expenses incurred to create allowance for expected credit losses for cash on deposit accounts amounted to UAH 41 thousand at the beginning of the year and increased by UAH 909 thousand during the reporting year.

Note 9 Loans and Advances to Customers

Table 9.1 Loans and advances to customers

‘000 UAH

Item	31 December 2021	31 December 2020
Loans to legal entities	7,722,337	2,469,111
Mortgage loans to individuals	27,872	36,034
Provision for impairment of loans	(1,982)	(2,819)
Total loans and advances to customers less allowance for	**7,748,227**	**2,502,326**

As at 31 December 2021, the credit concentration as to ten largest corporate borrowers was UAH 7,302,342 thousand or 94.22% of the Bank’s loan portfolio outstanding. The amount of recognized loss allowance for these loans is UAH 1,679 thousand.

As at 31 December 2020, the credit concentration as to ten largest corporate borrowers was UAH 2,388,734 thousand or 95.35% of the Bank’s loan portfolio outstanding. The amount of recognized loss allowance for these loans is UAH 2,819 thousand.

Table 9.2 Analysis of changes in allowance for expected credit losses for 2021

‘000 UAH

Movements in provisions	Loans to legal entities	Mortgage loans to individuals	Total
Balance as at 01 January 2021	**2,764**	**55**	**2,819**
Increase/(decrease) in allowance for expected credit losses during the period	(834)	(3)	(837)
Balance as at 31 December 2021	**1,930**	**52**	**1,982**

As at 31 December 2021, corporate loans issued in 2021 and outstanding as at 31 December 2021 amounted to UAH 7,722,337 thousand (99.6% of total loans and advances to customers as at 31 December 2021). As at 31 December 2021, UAH 2,469,111 thousand (or 99.2%) of corporate loans outstanding as at 1 January 2021 were fully repaid. These changes in the gross carrying amount resulted in net decrease of the impairment allowance by UAH 834 thousand.

Table 9.3 Analysis of changes in allowance for expected credit losses for 2020

‘000 UAH

Movements in provisions	Loans to legal entities	Mortgage loans to individuals	Total
Balance as at 01 January 2020	**6,135**	**48**	**6,183**
Increase/(decrease) in allowance for expected credit losses during the period	(3,371)	7	(3,364)
Balance as at 31 December 2020	**2,764**	**55**	**2,819**

As at 31 December 2020, loans to legal entities issued in 2020 and outstanding as at 31 December 2020 amounted to UAH 2,469,111 thousand (98.6% of total loans and advances to customers as at 31 December 2020). As at 31 December 2020, UAH 5,452,539 thousand (or 99.2%) of loans and advances to customers outstanding as at 1 January 2020 were fully repaid. These changes in the gross carrying amount resulted in net decrease of the impairment allowance by UAH 3,371 thousand.

As at 31 December 2021 and 31 December 2020, the Bank had no written off loans for which there were reasonable expected cash flows.

During 2021 and 2020, no modifications were made to customer loans.

Table 9.4 Structure of loans and advances to customers as per economic sectors

‘000 UAH

Type of economic activity	31 December 2021		31 December 2020	
	Amount	**%**	**Amount**	**%**
Wholesale and retail trade	2,671,888	34.48	918,697	36.67
Processing industry	2,549,980	32.90	1,549,486	61.85
Information and telecommunication	1,364,447	17.61	206	0.01
Agriculture	1,134,238	14.62	-	-
Individuals	27,872	0.36	36,034	1.44
Professional, scientific and technical activities	1,253	0.02	222	0.01
Activity in administrative and support services	461	0.01	143	0.01
Other	70	-	34	0
Transportation, warehousing, postal and courier activities	-	-	323	0.01
Total loans and advances to customers before deduction of loss allowance	**7,750,209**	**100.00**	**2,505,145**	**100.00**

Table 9.5 Information on loans collateral as at 31 December 2021

‘000 UAH

Item	Loans to legal entities	Mortgage loans to individuals	Total
Unsecured loans	1,935,426	-	1,935,426
Loans collateralized by:			
real estate	-	27,872	27,872
including residential real estate	-	27,872	27,872
Investment banks guarantees	5,786,911	-	5,786 911
other assets	-	-	-
Total loans and advances to customers before deduction of loss allowance	**7,722,337**	**27,872**	**7,750 209**

Table 9.6 Information on loans collateral as at 31 December 2020

‘000 UAH

Item	Loans to legal entities	Mortgage loans to individuals	Total
Unsecured loans	490,940	-	490,940
Loans collateralized by:			
real estate	-	36,034	36,034
including residential real estate	-	36,034	36,034
Investment banks guarantees	1,978,171	-	1,978,171
other assets	-	-	-
Total loans and advances to customers before deduction of loss allowance	**2,469,111**	**36,034**	**2,505,145**

Tables 9.5 and 9.6 provide information on all types of collateral security and other credit enhancement, received by the Bank that is taken into calculation of the allowance of expected credit losses. The Bank considers receipt of a collateral, based on its liquidity level as an additional instrument of decreasing the credit risk. In the Tables the value of collateral does not exceed the value of the secured commitment. As at 31 December 2021 and 31 December 2020, financial guarantees from investment grade banks were drawn from companies under common control to secure certain loans to customers and financial commitments. For detailed information on related party transactions, see Note 32.

Table 9.7 Credit quality analysis

‘000 UAH

Item	31 December 2021			31 December 2020		
	PD	Stage 1	Total	PD	Stage 1	Total
Corporate loans, including:	-	**7,722,337**	**7,722,337**	-	**2,469,111**	**2,469,111**
Rating "1" - "3-": High rating	0.0000 - 0.0831	568,629	568,629	0.0001 - 0.0178	671,610	671,610
Rating "4" - "6-": Standard rating	0.0001 - 0.0050	7,112,743	7,112,743	0.0003 - 0.0070	1,755,035	1,755,035
Rating "7" - "10-": Below standard rating	0.0077 - 0.0077	40,965	40,965	0.0161 - 0.0197	42,466	42,466
Mortgage loans to individuals	-	**27,872**	**27,872**	-	**36,034**	**36,034**
Rating "4" - "6-": Standard rating	0.0020 - 0.0020	**27,872**	**27,872**	0.0016 - 0.0017	36,034	36,034
Provision for impairment of loans	-	*(1,982)*	*(1,982)*	-	*(2,819)*	*(2,819)*
Total loans less provisions	**-**	**7,748,227**	**7,748,227**	**-**	**2,502,326**	**2,502,326**

Grade ratings of credit risk are determined using qualitative and quantitative factors that indicate a risk of default. These factors vary depending on the nature of the credit exposure and the type of a borrower.

The Bank assigns credit risk ratings to financial instruments based on various data that is determined for forecasting the risk of default, as well as by applying expert judgment regarding the credit quality. At the date of initial recognition each credit exposure is assigned a certain credit risk rating based on available information about the borrower. Credit exposures are subject to ongoing monitoring, which may result in the transfer of the financial instrument to another credit risk rating.
The Bank has the following ratings - high (rating "1" - "3-"), standard (rating "4+" - "6+"), below standard (rating "6-" - "7-") and default ratings ("8" - "10").

As at 31 December 2021 and 31 December 2020, the Bank's loans were neither past due nor impaired.

The risk from individual financial instruments within the credit portfolio has not increased significantly since initial recognition. Accordingly, allowances for expected credit losses at the end of the reporting and prior periods were estimated using the 12-months ECL model.

There were no transitions between stages for financial instruments during the year.

Note 10 Investments in Government Bonds

Table 10.1 Investments in government bonds

'000 UAH

Item	**31 December 2021**	**31 December 2020**
Debt securities:		
state treasury bills	7,634,907	6,769,927
Total Investments in government bonds	**7,634,907**	**6,769,927**

Non-trading assets (Note 7) are managed using a business model that aimed at holding to collect contractual cash flows and sales and accounted at fair value through other comprehensive income.

As at 31 December 2021, the Bank's assets included discounted and interest-bearing government bonds in the amount of UAH 7,634,907 thousand with maturities from February 2022 to November 2023. Nominal interest rates on the interest-bearing government bonds range from 9.84% to 17.00%

As at 31 December 2020, the Bank's assets included discounted and interest-bearing government bonds in the amount of UAH 6,769,927 thousand with maturities from March 2021 to February 2023. Nominal interest rates on the interest-bearing government bonds range from 9.87% to 18.05%

As at 31 December 2021 and 31 December 2020, the Bank's investments in government bonds were neither past due nor impaired and classified to Stage 1.

As at 31 December 2021, expected credit losses allowance for the Bank's investments in government bonds comprises UAH 80,097 thousand. (2020: UAH 151,922 thousand). The expected credit losses allowance for the Bank's investments in government bonds reduced to UAH 71,895 thousand during the reporting period (expenses incurred to create the allowance for 2020: UAH 103,089 thousand) (Note 18).

During 2021, the Bank invested UAH 4,559,103 thousand in government bonds with a corresponding increase in the allowance for expected credit losses by UAH 47,280 thousand. Sale and repayment of investments in government bonds with the gross carrying amount of UAH 3,774,632 thousand resulted from the decrease in allowance for expected credit losses by UAH 74,158 thousand. Other decrease in allowance for expected credit losses is UAH 45,016 thousand.

Note 11 Property, Equipment and Intangible Assets

Table 11.1 Property, equipment and intangible assets

'000 UAH

	Buildings and constructions	Machinery, vehicles and Equipment	Office equipment	Other assets	Right-of-use assets	Intangible assets	Total
Historical cost							
As at 1 January 2020	**70,386**	**25,131**	**10,822**	**14,074**	**2,840**	**17,599**	**140,852**
Additions	2,467	13,268	30	1,539	-	2,804	20,108
Disposals	-	-	-	-	-	-	-
As at 31 December 2020	**72,853**	**38,399**	**10,852**	**15,613**	**2,840**	**20,403**	**160,960**
Amortization and impairment losses							
As at 1 January 2020	**(14,058)**	**(17,543)**	**(7,081)**	**(11,512)**	**(947)**	**(8,057)**	**(59,198)**
Depreciation charge	(2,741)	(4,915)	(1,606)	(714)	(947)	(1,206)	(12,129)
Disposals	-	-	-	-	-	-	-
As at 31 December 2020	**(16,799)**	**(22,458)**	**(8,687)**	**(12,226)**	**(1,894)**	**(9,263)**	**(71,327)**
Net carrying value							
As at 1 January 2020	**56,328**	**7,588**	**3,741**	**2,562**	**1,893**	**9,542**	**81,654**
As at 31 December 2020	**56,054**	**15,941**	**2,165**	**3,387**	**946**	**11,140**	**89,633**
Historical cost							
As at 1 January 2021	**72,853**	**38,399**	**10,852**	**15,613**	**2,840**	**20,403**	**160,960**
Additions	5,320	355	-	4,331	4,073	3,922	18,001
Disposals	(30)	(3,502)	(631)	(2,969)	(2,840)	(463)	(10,435)
As at 31 December 2021	**78,143**	**35,252**	**10,221**	**16,975**	**4,073**	**23,862**	**168,526**
Amortization and impairment losses							
As at 1 January 2021	**(16,799)**	**(22,458)**	**(8,687)**	**(12,226)**	**(1,894)**	**(9,263)**	**(71,327)**
Depreciation charge	(865)	(4,016)	(1,513)	(809)	-	(1,428)	(8,631)
Disposals	6	3,502	631	2,872	1,894	463	9,368
As at 31 December 2021	**(17,658)**	**(22,972)**	**(9,569)**	**(10,163)**	**-**	**(10,228)**	**(70,590)**
Net carrying value							
As at 1 January 2021	**56,054**	**15,941**	**2,165**	**3,387**	**946**	**11,140**	**89,633**
As at 31 December 2021	**60,485**	**12,280**	**652**	**6,812**	**4,073**	**13,634**	**97,936**

As at 31 December 2021 and 31 December 2020, the Bank did not have property and equipment or intangible assets with legal restrictions on their title, use and disposal; fixed or intangible assets under encumbrance; property and equipment temporarily out of use (conservation, renovation, etc.); or property and equipment withdrawn from use and held for sale; created intangible assets.

The historical cost of fully depreciated property and equipment comprises UAH 39,016 thousand as at 31 December 2021 (31 December 2020 – UAH 26,602 thousand).

There were no impairment losses of property, equipment and intangible assets during the reporting period.

Property and intangible assets are accounted for at their historical cost.

Items of property and equipment are carried at their historical cost less any accumulated depreciation and any accumulated impairment losses. If necessary, the fair value of the property items is determined based on reports of independent appraisers by using comparative, income or cost methods.

Right-of-use assets

The Bank leases the reserve premises. The lease agreement was concluded until the end of 2026. The terms of the lease agreement has no possibility of automatic extension of lease for a fixed term.

As at 31 December 2021 and 31 December 2020, the Bank had no clear intention to extend the lease term of the underlying assets. The lease payments included in the measurement of the lease liability are represented by payments that have no variable components, except for exchange rate changes of the underlying asset over the lease term.

Note 12 Other Assets

Table 12.1 Other assets

'000 UAH

Item	31 December 2021	31 December 2020
Accrued income receivable	2,485	3,930
Amounts due from payment cards transactions	290	39
Receivables on settlements	36	22
Receivables on purchases and sales of foreign currency	-	16
Allowance for impairment of other financial assets	(23)	(14)
Other financial assets	**2,788**	**3,993**
Deferred expenses	13,011	5,728
Prepayment for services	2,940	1,610
Receivables on purchase of assets	1,123	2,838
Receivables on settlements with bank employees	96	158
Other assets	27	27
Other assets	**17,197**	**10,361**
Total other assets	**19,985**	**14,354**

Table 12.2 Analysis of changes in loss allowance for other assets for 2021

'000 UAH

Movements in provisions	Accrued income receivable	Prepayment for services	Total
Balance as at 01 January 2021	**14**	**-**	**14**
Decrease in loss allowance during the period	(119)	-	(119)
Bad debt written off	128	-	128
Balance as at 31 December 2021	**23**	**-**	**23**

Table 12.3 Analysis of changes in loss allowance for other assets for 2020

'000 UAH

Movements in provisions	Accrued income receivable	Receivables on loan transactions	Total
Balance as at 01 January 2020	**51**	**-**	**51**
Increase in loss allowance during the period	(109)	-	(109)
Bad debt written off	72	-	72
Balance as at 31 December 2020	**14**	**-**	**14**

Note 13 Due to Banks

Table 13.1 Due to banks

'000 UAH

Item	31 December 2021	31 December 2020
Correspondent accounts of other banks	218,504	151,159
Total due to banks	**218,504**	**151,159**

As at 31 December 2020, funds from foreign investor banks were transferred to correspondent accounts with the relevant change in the functioning mode. As at 31 December 2021 and 31 December 2020, there are no funds pledged as cash collateral under letters of credit.

As at 31 December 2021 and 31 December 2020, the Bank has no funds received on terms of repurchase agreements.

As at 2021 and 2020, the Bank had no loans from NBU.

Note 14 Due to Customers

Table 14.1 Due to customers

'000 UAH

Item	31 December 2021	31 December 2020
State-owned and civil organizations:	**84,807**	**126,711**
current accounts	84,807	126,711
Other legal entities:	**30,294,087**	**24,936,119**
current accounts	29,865,010	24,864,369
term deposits	429,077	71,750
Individuals	**5**	**29**
current accounts	5	29
Total customer accounts	**30,378,899**	**25,062,859**

As at 31 December 2021, current accounts of legal entities in the amount of UAH 228,458 thousand represent amounts transferred by customers or amounts to be transferred to customers' accounts under foreign currency purchase and sale transactions under guarantee agreements (31 December 2020: UAH 313,505 thousand).

As at 31 December 2021 and 31 December 2020, funds in the amount of UAH 228,458 thousand and UAH 313,505 thousand respectively, were held as security for operations with letters of credit and guarantees (Note 30).

Table 14.2 Due to customers by economic sector

'000 UAH

Type of economic activity	31 December 2021		31 December 2020	
	amount	%	amount	%
Wholesale and retail operations; repairs of vehicles and motorcycles	12,652,689	41.65	8,698,331	34.71
Professional, scientific and technical activities	8,015,723	26.39	4,281,386	17.08
Processing industry	4,546,857	14.97	6,290,196	25.1
Information and telecommunication	943,465	3.11	1,146,120	4.57
Non-banking institutions that are non-residents	907,605	2.99	275,715	1.1
Transportation, warehousing, postal and courier activities	815,873	2.69	490,184	1.96
Construction	570,479	1.88	751,233	3
Mining	378,649	1.25	433,280	1.73
Hotels and restaurants	304,928	1.00	234,294	0.93
Activity in administrative and support services	303,017	1.00	259,172	1.03
Financing & insurance	290,186	0.96	404,108	1.61
Supply of electricity, gas, steam and air conditioning	209,322	0.69	1,027,160	4.1
Agriculture, forestry and fisheries	57,801	0.19	447,333	1.78
Real estate	56,138	0.18	27,468	0.11
Health care and social assistance	51,063	0.17	22,523	0.09
Governance and activity of public organizations	-	-	126,711	0.51
Other (for private individuals (including private notaries and lawyers) and non-residents)	275,104	0.91	147,645	0.59
Total customer accounts	**30,378,899**	**100.00**	**25,062,859**	**100.00**

Note 15 Provision for Liabilities

According to the Bank assessment, financial guarantees and irrevocable credit commitments inherent to the same risk as loans. To determine the amount of provision for liabilities the Bank uses the best estimate of probable outflow of resources as at the reporting date based on the risk category of the counterparty. The Bank does not expect income from compensations for the financial guarantee and credit commitments before the time of cash payment. Data on changes in provision for liabilities is presented in the tables below.

Table 15.1 Changes in provision for liabilities for 2021

'000 UAH

Movements in provisions	Credit commitments	Total
Balance as at 01 January 2021	**324**	**324**
Decrease in provision during the period	170	170
Balance as at 31 December 2021	**494**	**494**

Table 15.2 Changes in provision for liabilities for 2020

'000 UAH

Movements in provisions	Credit commitments	Total
Balance as at 01 January 2020	**403**	**403**
Decrease in provision during the period	(79)	(79)
Balance as at 31 December 2020	**324**	**324**

Information on credit quality and collateral held under agreement of financial guarantees, letters of credit and irrevocable loan commitments is disclosed in Note 30.

Note 16 Other Liabilities

Table 16 Other liabilities

'000 UAH

Item	31 December 2021	31 December 2020
Payables under clarification	85	3,077
Payables on customer accounts and settlements	8,398	1,629
Lease liability	4,073	1,343
Other financial liabilities	627	325
Total other financial liabilities	**13,183**	**6,374**
Payables to employees	48,855	44,657
Accrued expenses for services	9,070	5,809
Taxes payable, other than income tax	664	2,330
Deferred income	495	438
Other liabilities	**59,084**	**53,234**
Total other liabilities	**72,267**	**59,608**

Information on other financial liabilities by maturities is disclosed in Note 28.

Accounting policy for lease liabilities is disclosed in details in Note 4.

Note 17 Share Capital and Share Premium

Note 17.1 Share capital and share premium

'000 UAH

Item	Number of shares outstanding	Nominal value of ordinary shares	Nominal value of privileged shares	Share premium	Total
Balance at the beginning of the previous year	**13,300**	**150,376**	**49,624**	**253,091**	**453,091**
Increase of nominal value of shares	-	-	-	-	-
Balance at the end of the previous year	**13,300**	**150,376**	**49,624**	**253,091**	**453,091**
Increase of nominal value of shares	-	-	-	-	-
Balance at the end of the current year	**13,300**	**150,376**	**49,624**	**253,091**	**453,091**

As at the reporting date and at the end of the previous period, the Bank's share capital is divided into 10,000 ordinary shares and 3,300 preference shares of the same face value of UAH 15,037.59. All outstanding shares have been paid in cash.

Contributions to the Bank's share capital were allocated for statutory activities.

Holders of the preference shares have the rights under the Ukrainian laws to receive dividends in size and terms stipulated in the Bank's Charter if the General Meeting of Shareholders accept the decision to pay.

There are no restrictions on holding shares as at 31 December 2021 and 31 December 2020.

Note 18 Revaluation Reserves (Components of Other Comprehensive Income)

Table 18 Revaluation reserves (components of other comprehensive income)

'000 UAH

Item	31 December 2021	31 December 2020
Balance at the beginning of the period	**106,407**	**103,876**
Changes in the results of revaluation of debt financial instruments:	(40,866)	25,889
Changes in fair value	31,029	(77,200)
Expected credit losses	(71,895)	103,089
Deferred tax liability related to:		
changes in revaluation reserve for debt financial instruments	7,356	(23,358)
Total revaluation reserves (other comprehensive income) less deferred tax liability	(33,510)	2,531
Balance at the end of the period	**72,897**	**106,407**

Note 19 Assets and Liabilities Maturity Analysis

Table 19.1 Assets and liabilities maturity analysis

The table below provides an analysis of the assets and liabilities maturity based on their expected reimbursement or repayment (with some specific features about Customer Accounts below). This information reflects the Bank's liquidity position in accordance with defined business models for assets and liability management.

‘000 UAH

Item	Notes	31 December 2021			31 December 2020		
		Less than 12 months	Over 12 months	total	Less than 12 months	Over 12 months	total
Assets							
Cash and cash equivalents	*6*	5,941,831	-	5,941,831	8,660,269	-	8,660,269
Trading assets	*7*	1,501,427	-	1,501,427	2,725,397	4,465	2,729,862
Due from banks	*8*	30,012	-	30,012	32,052	-	32,052
Loans and advances to customers	*9*	6,374,628	1,373,599	7,748,227	2,482,363	19,963	2,502,326
NBU certificates of deposit		10,709,578	-	10,709,578	7,051,824	-	7,051,824
Government bonds	*10*	3,093,890	4,541,017	7,634,907	4,387,991	2,381,936	6,769,927
Derivative financial assets		1,479	-	1,479	216	-	216
Property, equipment and intangible assets	*11*	-	97,936	97,936	-	89,633	89,633
Other assets	*12*	19,789	196	19,985	14,354	-	14,354
Total assets		**27,672,634**	**6,012,748**	**33,685,382**	**25,354,466**	**2,495,997**	**27,850,463**
Liabilities							
Due to banks	*13*	218,504	-	218,504	151,159	-	151,159
Amounts due to customers	*14*	30,378,899	-	30,378,899	25,062,859	-	25,062,859
Derivative financial liabilities		1,663	-	1,663	5,951	-	5,951
Current tax liabilities		117,311	-	117,311	64,688	-	64,688
Deferred tax liabilities	*24*	16,753	-	16,753	24,341	-	24,341
Provisions for liabilities	*15*	492	2	494	324	-	324
Other liabilities	*16*	68,167	4,100	72,267	59,606	2	59,608
Total liabilities		**30,801,789**	**4,102**	**30,805,891**	**25,368,928**	**2**	**25,368,930**

The balances of amounts due to customers are presented as less than 12 months based on the contractual cash flows. The maturity of current accounts does not reflect the historical stability. Withdrawals from current accounts occurred over a longer period than indicated in the tables above.

Expected repayment terms for loans and advances to customers are equal to contractual repayment terms.

Information about the Bank's contractual undiscounted liabilities by maturity is given in Note 28 “Risk Management”.

Note 20 Interest Income and Expense

Table 20.1 Interest income and expense

'000 UAH

Item	2021	2020
Interest Income:		
Government bonds	775,771	483,855
NBU certificates of deposit	512,692	759,883
Loans and advances to customers	225,780	255,135
Correspondent accounts with other banks	3,586	23,045
Due from banks	29	284
Interest income calculated using the effective interest rate method	**1,517,858**	**1,522,202**
Trading assets	323,674	191,405
Other interest income	323,674	191,405
Total interest income	**1,841,532**	**1,713,607**
Interest expense:		
Current accounts	(295,374)	(370,128)
Term-deposits of legal entities	(2,177)	(3,017)
Overnight loans received from other banks	(180)	(266)
Correspondent accounts	(125)	(51)
Overdraft loans received from other banks	-	(118)
Other	(106)	(53)
Total interest expense	**(297,962)**	**(373,633)**
Net interest income	**1,543,570**	**1,339,974**

Note 21 Fee and Commission Income and Expense

Table 21.1 Fee and commission income and expense

'000 UAH

Item	2021	2020
Commission income:		
Cash and settlements transactions	142,975	165,870
Currency exchange transactions	124,750	112,877
Commissions on brokerage transactions with securities	33,669	-
Guarantees and letters of credit	9,564	11,721
Payment cards transactions	3,847	3,361
Credit services to customers	10	513
Other	502	279
Total fee and commission income	**315,317**	**294,621**
Fee and commission expense:		
Cash and settlements transactions	(28,511)	(30,556)
Guarantees and letters of credit	(12,892)	(16,650)
Payment cards transactions	(3,250)	(3,442)
Other	(77)	(17)
Total fee and commission expense	**(44,730)**	**(50,665)**
Net fee and commission income	**270,587**	**243,956**

Note 22 Other operating income

Table 22.1 Other operating income

‘000 UAH

Item	2021	2020
Income from modification of leases	379	-
Income from compensation of operating expenses	65	111
Income from financial consulting services	8	116
Other income	-	5
Total other operating income	**452**	**232**

Note 23 Other Administrative and Operating Expenses

Table 23.1 Other administrative and operating expenses

‘000 UAH

Item	2021	2020
Outsourced services	(24,034)	(23,120)
Maintenance of property, plant and equipment and intangible assets, telecommunication and other maintenance costs	(22,040)	(14,585)
Professional and consulting services	(10,287)	(9,045)
Security	(2,938)	(2,507)
Utilities expenses	(2,741)	(1,775)
Personnel expenses relating to business support	(2,527)	(2,905)
Corporate operational and technical support	(2,220)	(1,704)
Hospitality expenses	(1,943)	(3,093)
Operating lease expense	(1,495)	(1,224)
Household expenses	(821)	(1,368)
Marketing and advertising costs	(562)	(221)
Travel expenses	(561)	(453)
Taxes other than income tax	(231)	(184)
Insurance expenses	(162)	(190)
Loss on disposal of non-current assets	(203)	-
Other	(11,204)	(5,576)
Total administrative and other operating expenses	**(83,969)**	**(67,950)**

Personnel expenses for 2021 and 2020 include share-based payments recorded under IFRS 2 in the amount of UAH 795 thousand and UAH 973 thousand, respectively.

As at 31 December 2021 and 31 December 2020, key management personnel of the Bank participated in 5 share option plans with the grant dates in 2017-2020. In accordance with these plans, holders of vested options are entitled to purchase shares of Citigroup, Inc. at the market price of the shares at vesting dates. The vesting conditions are 4 years’ service.

The accounting policy for share options is disclosed in item 4.24.

Note 24 Income Tax Expense

The Bank accounting for taxes is based on the financial accounting with consideration of the tax differences according to Tax Code of Ukraine.

The financial statements are subject to influence of the permanent tax differences have effect on the Bank's financial statements as a result of certain income and expense are not tax deductible.
Deferred taxes reflect the effect of temporary tax differences between the carrying amount of assets and liabilities for accounting purposes and taxable amounts.
Temporary differences as at 31 December 2021 and 31 December 2020 were basically related to different methods of income and expense recognition, and to the value of certain assets recognized in the financial statements.

Table 24.1 Income tax expense

'000 UAH

Item	2021	2020
Current income tax	(386 381)	(296,200)
Change in deferred income tax, relating to:	232	3,904
origination or write-off of temporary differences	232	3,904
Total income tax expense	**(386,149)**	**(292,296)**

Deferred tax assets and liabilities as at 31 December 2021 and 31 December 2020 were calculated based on the income tax rate 18%. During 2021, the Bank recognized a deferred tax liability in the amount of UAH 16,002 thousand on debt securities that did not have effect on income tax expenses for 2021 (2020: UAH 23,358 thousand).

Table 24.2 Reconciliation of accounting and tax profit (loss)

'000 UAH

Item	2021	2020
Profit before income tax	2,144,257	1,620,633
Theoretical tax charge at the applicable tax rate	(385,841)	(291,714)
Expenses that are not taxable/tax deductible in determining taxable profit but are recognized in accounting	(308)	(582)
Total income tax	**(386,149)**	**(292,296)**

Table 24.3 Tax effects related to the recognition of deferred tax assets and deferred tax liabilities for 2021

'000 UAH

Deferred tax assets and deferred tax liabilities	Balance as at 31 December 2020	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at 31 December 2021
Tax effect of temporary differences that are decreasing (increasing) taxable profit and tax losses carried forward				
Provisions for liabilities and unused vacation provisions	58	31	-	89
Investments in securities	(23 358)	-	7 356	(16 002)
Property, equipment and intangible assets	(1 041)	201	-	(840)
Net deferred tax asset/ (liability)	**(24 341)**	**232**	**7 356**	**(16 753)**
Recognized deferred tax asset	**58**	**31**	**-**	**89**
Recognized deferred tax liability	**(24 399)**	**201**	**7 356**	**(16 842)**

Table 24.4 Tax effects related to the recognition of deferred tax assets and deferred tax liabilities for 2020

'000 UAH

Deferred tax assets and deferred tax liabilities	Balance as at 31 December 2019	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at 31 December 2020
Tax effect of temporary differences that are decreasing (increasing) taxable profit and tax losses carried forward				
Provisions for liabilities and unused vacation provisions	73	(15)	-	58
Investments in securities	-	-	(23,358)	(23,358)
Property, equipment and intangible assets	(959)	(82)	-	(1,041)
Net deferred tax asset/ (liability)	**(886)**	**(97)**	**(23,358)**	**(24,341)**
Recognized deferred tax asset	**73**	**-**	**-**	**73**
Recognized deferred tax liability	**(959)**	**(97)**	**(23,358)**	**(24,414)**

There have been no unrecognized deferred tax assets as at 31 December 2021 and 2020.

Note 25 Earnings per share

'000 UAH

Item	2021	2020
Profit attributable to holders of ordinary shares of the Bank	1,758 108	1,328,337
Profit attributable to preference share owners	-	-
Profit for the year	1,758 108	1,328,337
Weighted-average number of ordinary shares (in thousands)	10	10
Weighted-average number of preference shares (in thousands)	3	3
Basic and diluted earnings per ordinary share (UAH)	**175,811**	**132,834**

Note 26 Dividends

'000 UAH

Item	2021		2020	
	On ordinary shares	On preference shares	On ordinary shares	On preference shares
Balance at the beginning of the period	-	-	-	-
Dividends declared over the period	(1,329,310)	-	(2,102,164)	-
Dividends paid for the period	1,329,310	-	2,102,164	-
Balance at year-end	-	-	-	-
Dividends per share declared over the period	132,931	-	210,216	-

The decision on the order and terms of paying dividends is taken by the General Meeting of the Bank's shareholders. Dividend payments on ordinary shares in 2021 and 2020 were made in cash. Subject to the Bank's Charter, the decision on the amount of dividend payments on preference shares is taken by the General Meeting of Bank's shareholders. In 2021 and 2020 dividend payments on preference shares were not made.

Note 27 Operating Segments

Below is the information on the performance results of each reportable segment, analyzed by those charged with governance of the Bank. In their assessment of reportable segments' performance, the Bank's management use the pre-tax income per segment, as they believe that this indicator is the most appropriate for segmental performance analysis, as compared to other institutions of the banking sector. Intersegment income and expenses are established based on regular conditions of operation.

The segment's income and expenses, assets and liabilities are determined by reference of each transaction of the Bank related to the respective product to a segment responsible for the product's maintenance, support and enhancement.

Corporate loans business	Segment comprises lending operations aimed at working capital replenishment.
The Bank's treasury business	This comprises trade and securities portfolio management, interbank placements and placements on the correspondent account with the NBU, interbank overdrafts, foreign exchange transactions and provision of insurance brokerage services.
Transactional business	This comprises granting overdrafts and loans for export and import operations, servicing customers' current accounts and money transfers, interbank borrowings and transactions with guarantees and letters of credit.
Depository business	Includes such depository operations as opening and servicing securities accounts and conducting transactions with securities for the Bank's clients, payment of income, servicing the issuer's corporate operations on customer securities accounts, servicing the circulation of securities on customer securities accounts, and maintaining ownership records.

In the fourth quarter of 2021, the Bank's management decided to separate the depository business as a separate reporting segment, which corresponds to the corporate approach to the structuring of activities. The performance indicators of the depository business for 2021 are presented below. Had the Bank applied the 2020 segmentation approach in presenting information on reporting segments for 2021, income, expenses, assets and liabilities of the depository business segment would be fully presented within the treasury business.

During 2021, revenues from transactions with the NBU and the Ministry of Finance of Ukraine amounted to 21.15% and 45.35% of the total revenues of the reporting segments, respectively (2020: revenues from transactions with the NBU and the Ministry of Finance of Ukraine amounted to 37.63% and 33.44% of the total revenues of the reporting segments, respectively).

Table 27.1 Reportable segment revenues, expenses and profit or loss for 2021

(‘000 UAH)

Item	Reporting segments				Total
	Corporate loans business	Treasury business	Transactional business	Depository business	
Gains from external customers:					
Interest income	110,705	1,615,752	115,075	-	1,841,532
Interest expense	(3)	(2,360)	(295,447)	(152)	(297,962)
Commission income	566	158,080	82,117	74,554	315,317
Commission expense	(12,888)	(25,739)	(6,103)	-	(44,730)
Losses from securities transactions	-	143,196	-	-	143,196
Gains less losses from foreign currency transactions	-	431,969	-	34,362	466,331
Other income	9	171	244	28	452
Total profit for reportable segments	**98,389**	**2,321,069**	**(104,114)**	**108,792**	**2,424 136**
Other material non-cash items – provision for impairment of financial assets and liabilities	339	69,251	190	-	69,780
Administrative expenses	(12,022)	(20,225)	(54,273)	(10,140)	(96,660)
Personnel costs	(31,555)	(73,886)	(125,443)	(22,116)	(252,999)
Intersegment income/expenses	(19,170)	(1,227,734)	1,221 256	25,648	-
Profit for reportable segments before tax	**35,981**	**1,068,476**	**937,616**	**102,184**	**2,144,257**
Income taxes	-		-	-	(386,149)
Profit for the year					**1,758,108**

Table 27.2 Reportable segment revenues, expenses and profit or loss for 2020

('000 UAH)

Item	Reporting segments: Corporate loans business	Reporting segments: The Bank's treasury business	Reporting segments: Transactional business	Elimination	Total
Gains from external customers:					
Interest income	112,027	1,341,290	260,290		1,713,607
Interest expense	(2)	(3,430)	(370,201)		(373,633)
Commission income	917	141,547	152,157		294,621
Commission expense	(16,668)	(27,273)	(6,724)		(50,665)
Losses from securities transactions	-	56,524	-		56,524
Gains less losses from foreign currency transactions	-	361,674	16,961		378,635
Other income	9	82	141		232
Total profit for reportable segments	**96,283**	**1,870,414**	**52,624**	**-**	**2,019,321**
Other material non-cash items – provision for impairment of financial assets and liabilities	633	(102,986)	2,696		(99,657)
Administrative expenses	(17,930)	(26,845)	(35,304)		(80,079)
Personnel costs	(24,090)	(75,096)	(119,766)		(218,952)
Intersegment income/expenses	(60,829)	(751,487)	812,317	(1)	-
Profit for reportable segments before tax	**(5,933)**	**914,000**	**712,567**	**(1)**	**1,620,633**
Income taxes					(292,296)
Profit for the year					**1,328,337**

Table 27.3 Reporting segment assets and liabilities as at 31 December 2021

'000 UAH

Item	Reporting segments: Corporate loans business	Reporting segments: Treasury business	Reporting segments: Transactional business	Reporting segments: Depository business	Total
Assets	3,152,094	25,819,012	4,605,571	820	33,577,497
Liabilities	269	527,339	29,096,869	982,717	30,607,194
Other segment items					
- capital investments	1,783	14,611	2,606	-	19,000
- depreciation	(1,191)	(9,759)	(1,741)	-	(12,691)

Table 27.4 Reporting segment assets and liabilities as at 31 December 2020

'000 UAH

Item	Reporting segments: Corporate loans business	Reporting segments: The Bank's treasury business	Reporting segments: Transactional business	Total
Assets	476,984	25,161,894	2,036,194	27,675,072
Liabilities	54	183,176	25,065,446	25,248,676
Other segment items				
- capital investments	347	18,282	1,479	20,108
- depreciation	(209)	(11,028)	(892)	(12,129)

Table 27.5 Reconciliation of assets and liabilities for 2021

'000 UAH

Item	Reporting segments				Total
	Corporate loans business	The Bank's treasury business	Transactional business	Depository business	
Reporting segment assets	3,152,094	25,819,012	4,605,571	820	33,577,497
Unallocated assets					107,885
Total assets					**33,685,382**
Reporting segment liabilities	(269)	(527,339)	(29,096,869)	(982,717)	(30,607,194)
Unallocated liabilities					(198,697)
Total liabilities					**(30,805,891)**

Table 27.6 Reconciliation of assets and liabilities for 2020

'000 UAH

Item	Reporting segments			Total
	Corporate loans business	The Bank's treasury business	Transactional business	
Reporting segment assets	476,984	25,161,894	2,036,194	27,675,072
Unallocated assets				175,391
Total assets				**27,850,463**
Reporting segment liabilities	54	183,176	25,065,445	25,248,675
Unallocated liabilities				120,255
Total liabilities				**25,368,930**

Note 28 Financial Risk Management

Risk management

Based on JSC "CITIBANK" (as subsidiary of Citibank N.A.) experience in international banking practice and taking into account conditions of the Ukrainian financial market the Bank apply measures to manage and control risks in accordance with the principles and requirements of Citibank N.A. policy and generally meet the guidelines and requirements of the National Bank of Ukraine on systematic risk management and compliance with standards of regulation. The current system of risk management in JSC "CITIBANK" is part of a global Citi risk management system and includes regulations and approaches that are set forth in the relevant standards of assessment, accounting and risk management, which are designed by Citi's Corporate departments of risk management and the Department of risk architecture.

Continuous monitoring and management of the level of risks is one of the principal tasks of the Bank's Management Board. The key components of the risk management process at the Bank include the following: risks identification, imposition of controls, monitoring, reporting and decision making. The main principle of the Bank's policy in the field of risk management is priority of conservatism over profitability, i.e. compliance with minimum risk.

Business strategy and activities of Citibank involve such risks for the Bank as a whole:

- Credit risk,
- Market/pricing risk,
- Interest rate risk,
- Operational risk,
- Liquidity risk,
- Strategic risk,
- Reputational risk,
- Compliance risk,

The Bank's risk management system comprises the following defined roles and responsibilities:

1. Supervisory Board.
2. Management Board.
3. Committees and forums:
   - Credit Committee;
   - Assets and Liabilities Management Committee;
   - Tariff Committee;
   - "Risk Management and Compliance Committee" Board Forum;
   - "Country Coordination Committee" Board Forum;
   - "Risk Forum";
4. Internal audit.
5. Risk Management Division.
6. Compliance Department
7. First line of protection structural divisions of the Bank.

The main principle of the Bank's policy in the field of risk management is priority of conservatism over profitability, i.e. compliance with minimum risk. Structural units involved in banking operations bear responsibility for the fulfilment of the Management Board's and core committees' decisions, provide banking services, and engage in attraction and allocation of funds within the established limits. The regulation of the risk management system and methodology for managing certain types of risks are detailed in the relevant internal regulations of JSC "CITIBANK" and Citi's corporate policies. The Bank has introduced a management information system providing necessary information (reporting) flow for operational decision-making in risk management and for the dissemination of information and decisions among various structural levels in the risk management system.

Credit risk

Credit risk is a present or potential risk for cash flows and equity, which arises from inability of a party to a contract to discharge the assumed obligations to carry out the conditions of a financial agreement with the Bank or in another way to fulfil the assumed obligations. Credit risk is inherent to all kinds of banking operations, where the result is relied on the counterparty, securities issuer or a borrower. It arises every time the Bank provides funds, takes on financial commitments, invests funds or risks the funds in other ways relevant to the terms and conditions of real or conceptual agreements regardless where the operation is recognized – on the statement of financial position or in off-balance sheet accounts.

The process of credit risk assessment and management is detailed in the relevant internal regulations of Citibank and Citi.

Borrowers are analyzed in the standard format of credit recommendation, which covers all types of risks. The Bank uses a computer model called "Credit Rating Analysis", which is an integral part of credit recommendation, to analyses the financial standing of the client, comparative analysis of the client's industry, and finally, to determine the client's credit rating, which reflects the degree of the credit risk exposure and maximum possible amount of expected losses. The purpose of the analysis is to identify the current financial position of the borrower and its dynamics. The analysis is aimed to identify factors that caused changes in the client's financial position and forecast of its main trends for the future.

The Bank divides customers (borrowers) into two categories, depending on the type of approval to grant a loan: "category 1" – loans approved in Ukraine, "category 2" – loans for which additional approval is required at Citi level (by credit and risk officers, who have adequate authority and limits and control the issuance of loans in the EMEA region (Europe, Middle East and Africa)).

Significant increase in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The purpose of the assessment is to determine whether there has been a significant increase in the credit risk of a position exposed to credit risk by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses certain criteria to assess whether credit risk has experienced a significant growth, which include:

- results of quantitative testing based on changes in default probability;
- qualitative information (such as breach of covenants, lack of an external market);
- overdue by more than 30 days;
- professional judgment.

Grade Ratings of Credit Risk

The Bank assigns credit risk ratings to financial instruments based on various data that is determined for forecasting the risk of default, as well as by applying expert judgment regarding the credit quality. Grade ratings of credit risk are determined using qualitative and quantitative factors that indicate a risk of default. These factors vary depending on the nature of the credit exposure and the type of a borrower.

Each credit exposure is assigned to the certain credit risk rating as at the initial recognition date on the basis of available information about the borrower. Credit exposures are subject to ongoing monitoring, which may result in the transfer of the financial instrument to another credit risk rating. Usually monitoring includes analysis of the following information:

Credit exposure subject to credit risk evaluation (corporate customers)	**Credit exposure subject to credit risk evaluation (corporate customers and individuals)**
• Information derived from periodic analysis of borrowers' information - for example, audited financial statements, management reporting, budgets, forecasts and plans. Examples of areas of special interest are: gross margin of profit, ratio of borrowed and own funds, debt service ratio, compliance with restrictive loan agreements ("covenants"), quality of management.	• Information about payments, including information on the status of outstanding debts
• Data from credit rating agencies, publications in the press, information on changes in external credit ratings.	• Use of the provided limits • Inquiries and requests for review of terms and conditions of loan agreements
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower's business or his business activities.	• Current and projected changes in financial, economic conditions and operating conditions.

Generating the term structure of PD

Credit risk ratings are used as initial input data when creating a temporary structure of default probability for credit exposures. The Bank collects information about debt servicing and default levels for credit exposures, analyzed by jurisdiction, type of product and the borrower, and the credit risk rating. Some portfolios also use information obtained from external credit rating agencies.

The Bank employs statistical models to analyses the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank estimates whether the credit risk has significantly increased since its initial recognition for each reporting period. Determining whether there has been a significant increase in credit risk depends on the characteristics of the financial instrument and the borrower, as well as the geographic region. What is considered significant will differ for different types of lending, in particular between corporate and retail and the type of assessment.

Incorporating of forward-looking information

Under IFRS 9, the Bank will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs.

The Bank formulates three economic scenarios: the baseline scenario and two less probable scenarios, optimistic and pessimistic. The Bank uses a number of prospective economic scenarios to determine the stages and ECL calculation.

The macroeconomic variables used in the scenarios by the Bank are introduced by Citigroup. In macroeconomic scenarios Citigroup accounts for macroeconomic variables for each geographic region where Banks of Citigroup operate.

Citigroup also periodically conducts stress-testing of more extreme "shock" scenarios in order to adjust its approach to defining optimistic and pessimistic representative scenarios.

The Bank has identified and documented the main factors affecting the assessment of credit risk and credit losses for each portfolio of financial instruments, and, using historical data, assessed the relationship between macroeconomic variables and credit risk and credit losses.

Credit risk ratios of NBU

The Bank complies with the requirements of the economic norms established by the National Bank of Ukraine for credit risk monitoring.

Credit Risk Ratios	**31 December 2021**	**31 December 2020**
Maximum credit risk exposure per counterparty Ratio (H7) Required ratio - not more than 25%	19.85%	8.50%
Large credit risks Ratio (H8) Required ratio - not more than 800% of bank's regulatory capital	80.88%	0%
Maximum amount of loans and guarantees to one insider ratio (H9) Required ratio - not more than 25%	0.41%	0.32%

Market risk

Market risk is the present or potential risk for cash flows and equity which arises due to unfavorable fluctuations of securities and goods prices, foreign currency exchange rates with regard to the instruments held in the Bank's trading portfolio and interest rates. This risk originates in market making, dealing, positioning in equity and debt securities, currencies, goods and derivatives.

The Bank's methodology and principles of market risk management are set out in the Market Risk Management Policy, where the concepts of market risk are defined, general principles of the market risk management are described, and tools for market risk assessment and control methods are specified.

The day-to-day market risks management is carried out by the Assets and Liabilities Management Committee (ALCO), the Currency and Finance Department, the Finance Department and the Risk Management Department.

Market risk management involves measurement of assets and liabilities, identification of the market risk limit; there is independent daily-basis control over compliance with the limits established by the Bank. The Bank also utilizes the Value-at-Risk (VAR) methodology to monitor the market risk of its trading positions. The Bank's priority in managing the market risk is to ensure maximum security of its assets and capital by reducing (excluding) possible losses and income deficiency on the Bank's operations on the financial markets, as well as other transactions of the Bank related to market risk.

The main document that regulates the Bank's policy in securities is the Bank's Business Strategy, which is developed on an annual basis and approved upon at the national (Ukraine), cluster (CIS/Moscow) and region (EMA/London) levels and implemented by the Bank. The Business Strategy is the basis for development of the investment policy.

The risk strategy is defined in the operation strategy of the Bank. Planning of the quantitative risk assessment involves determining the loss limits on bank transactions and related open positions. Loss limits in all market transactions are added up to form the aggregate amount of losses that is appropriate to the portfolio market risk. This value is added to the total risk of the Bank. The latter is compared with marginal losses that the Bank is ready to bear (planned loss limit). Inconsistency between the calculated amount and the planned loss limit is corrected by adjusting the loss limit for different operations, amending the range of operations and volume of open positions.

Currency risk

Foreign currency risk is the risk of losses resulting from unfavorable foreign-currency exchange rate fluctuations. Currency risk is a result of Bank’s open positions in different currencies. Such positions are calculated as a difference between assets and liabilities in the same currency as at the reporting date.

Internal regulatory base, approved upon by the Bank’s relevant bodies in accordance with the principles of corporate governance, generally sets out limits of currency positions as per currencies, terms and instruments.

The Bank’s methodology and principles of the currency risk management are set out in the Market Risk Management Policy, where the concepts of the currency risk as a component of the market risk are defined, general principles of the currency risk management are described, and tools for the risk assessment and control methods are specified.

The Treasury is responsible for carrying out trading operations, attraction and placement of foreign currency in the interbank market, and for the open currency position.

The Bank manages currency risk with the help of the system of limits set for:
- general open currency positions (OCP) as per currencies;
- maximal losses (MAT);
- value at risk (VAR);
- treasury dealers.

The function of identifying the quantitative measure of the risk and its monitoring is segregated from risk accepting activities. The Financial Department and Regional Risk Manager are assigned with daily control for adherence to OCP, MAT and VAR limits.

The Treasury back office performs control for dealers’ adherence to limits. None of treasury transactions is carried out without the back-office appointed officer’s endorsement with an indication of dealers’ limit compliance.

The Treasury back office carries out control over treasury operations adequacy to the market situation and fulfils target-market control. The adequacy control aims at excluding a possibility of dealing transactions that are at odds with the Bank’s interests and damage its financial position. This monitoring is conducted with the help of information from Reuters. Target-market control consists in treasury dealers’ adherence to the principle of making deals and transacting only with banks that are listed as potential counterparties. Formation of the said list of banks is the prerogative of the Credit Committee. The counterparty banks are viewed with regard to their positioning in the market, financial standing, sectorial orientation and reputation. The list is reviewed at least once a year or as needed, usually quarterly.

The effect of change of the financial result and equity as a result of possible exchange rate fluctuation, which is established as a weighted currency exchange rate, is calculated through recalculation of the Bank’s currency position as of the end of the reporting period per currencies, using the weighted exchange rate of each currency for the relevant reporting year.

Table 28.1 Currency risk analysis

'000 UAH

Currency	As at 31 December 2021			As at 31 December 2020		
	Monetary assets	**Monetary liabilities**	**Net position**	**Monetary assets**	**Monetary liabilities**	**Net position**
USD	4,556,118	(5,202,027)	(645,909)	5,090,099	(5,415,424)	(325,325)
EUR	3,108,546	(2,950,346)	158,200	3,925,282	(3,728,677)	196,605
British pounds	37,438	(37,423)	15	63,022	(63,010)	12
Russian roubles	89,215	(72,984)	16,231	78,664	(78,636)	28
Other	1,334	(1,779)	(445)	2,553	(2,469)	84
Total	**7,792,651**	**(8,264,559)**	**(471,909)**	**9,159,620**	**(9,288,216)**	**(128,596)**

The above analysis only includes monetary assets and liabilities.

Table 28.2 Sensitivities of profit or loss and equity as a result of possible changes in official exchange rates as at reporting date relative to other foreign currency, with all other variables held constant

'000 UAH

Item	As at 31 December 2021		As at 31 December 2020	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
USD strengthening by 25%	(132,411)	(132,411)	(66,692)	(66,692)
USD weakening by 25%	132,411	132,411	66,692	66,692
EUR strengthening by 25%	32,431	32,431	40,304	40,304
EUR weakening by 25%	(32,431)	(32,431)	(40,304)	(40,304)
GB Pound strengthening by 25%	3	3	2	2
GB Pound weakening by 25%	(3)	(3)	(2)	(2)
Russian Rouble strengthening by 25%	3,327	3,327	6	6
Russian Rouble weakening by 25%	(3,327)	(3,327)	(6)	(6)
Other currencies strengthening by 25%	(91)	(91)	17	17
Other currencies weakening by 25%	91	91	(17)	(17)

Table 28.3 Sensitivities of profit or loss and equity as a result of possible changes in official exchange rates applied as weighted average relative to other foreign currency, with all other variables held constant

'000 UAH

Item	As at 31 December 2021		As at 31 December 2020	
	Impact on profit or loss	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
USD strengthening by 25%	(132,450)	(132,450)	(63,585)	(63,585)
USD weakening by 25%	132,450	132,450	63,585	63,585
EUR strengthening by 25%	33,885	33,885	35,719	35,719
EUR weakening by 25%	(33,885)	(33,885)	(35,719)	(35,719)
GB Pound strengthening by 25%	3	3	2	2
GB Pound weakening by 25%	(3)	(3)	(2)	(2)
Russian Rouble strengthening by 25%	9	9	6	6
Russian Rouble weakening by 25%	(9)	(9)	(6)	(6)

The effect of change of the financial result and equity as a result of possible exchange rate fluctuation, which is established as a weighted currency exchange rate, is calculated through recalculation of the Bank's currency position as of the end of the reporting period per currencies, using the weighted exchange rate of each currency for the relevant reporting year.

Interest rate risk

The interest rate risk is a real or potential risk for cash flows or equity, which arises due to unfavorable changes in interest rates. This risk affects the Bank's both profitability and the economic value of its assets, liabilities and off-balance sheet instruments.

The Bank's methodology and principles of the interest risk management are set out in the Interest Risk Management Policy, where the concepts of the interest risk are defined, general principles of the interest risk management are described, and tools for this risk assessment and control methods are specified.

Interest rate risk management procedure determines the performance of such steps as gap analysis of interest earning assets and interest liabilities, valuation of assets and liabilities and determination of limit interest rate risk. The interest rate risk is predominantly managed by setting indicators and limits that characterize the positions' sensitivity to changes in interest rates.

In compliance with the current legislation of Ukraine, the Bank runs a Tariff Committee, which main purpose is planning and regulation of tariff policy, optimization of current tariffs with a view to achieve the target budget profitability. In accordance with the vested functions, the Tariff Committee analyses the correlation of services cost and market competitiveness of current tariffs, is responsible for the operating income policy. The Tariff Committee establishes standard and non-standard tariffs for wholesale and retail banking, in particular, tariffs in accounts maintenance, cash- based transactions, money transfers, electronic banking – customer-bank system, currency translation transactions, procession of checks, commissions under loan agreements.

The Bank's Currency and Financial Department is responsible for operating activity in the area of interest rate risk management. The Bank approves interest rate limits on an annual basis, which are also coordinated at the corporate level (cluster, region). There is independent daily-basis control over compliance with the limits established by the Bank.

Table 28.4 Interest rate risk analysis

'000 UAH

Item	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over one year	Total
2021					
Total financial assets	19 506 340	6 398 080	1 645 890	6 019 939	33 570 249
Total financial liabilities	30 608 042	35	564	4 102	30 612 743
Net liquidity gap 31 December 2021	**(11 101 702)**	**6 398 045**	**1 645 326**	**6 015 837**	**2 957 506**
2020					
Total financial assets	22 304 677	3 035 219	-	2 406 364	27 746 260
Total financial liabilities	25 214 018	-	-	-	25 214 018
Net liquidity gap 31 December 2020	**(2 909 341)**	**3 035 219**	**-**	**2 406 364**	**2 532 242**

The table above presents financial assets and financial liabilities that are sensitive to interest rate change.

In accordance with the loan/deposit agreements, the interest rate is defined as market benchmark+margin, which does not change until the tranche repayment. Considering this, the table above specifies the terms before settlement of each loan and deposit tranche.

Table 28.5 Monitoring of interest rates by financial instruments

'000 UAH

Item	As at 31 December 2021				As at 31 December 2020			
	UAH	USD	EUR	other	UAH	USD	EUR	other
Assets								
Cash and cash equivalents	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading assets	8.66%	0.00%	0.00%	0.00%	5.68%	0.00%	0.00%	0.00%
Due from banks	0.00%	0.05%	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%
Loans and advances to customers	9.71%	2.33%	2.75%	0.00%	6.92%	3.40%	0.00%	0.00%
NBU certificates of deposit	8.70%	0.00%	0.00%	0.00%	5.64%	0.00%	0.00%	0.00%
Government bonds	13.21%	0.00%	0.00%	0.00%	11.93%	0.00%	0.00%	0.00%
Liabilities	-	-	-	-				
Due to banks	0.08%	0.00%	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%
Due to customers:								
current accounts	3.29%	0.00%	0.00%	0.00%	2.39%	0.00%	0.00%	0.00%
term deposits	3.00%	0.00%	0.00%	0.00%	3.00%	0.00%	0.00%	0.00%

Table 28.6. Interest rate risk sensitivity analysis

'000 UAH

Currency	Interest bearing assets/liabilities	Weighted average balance per year, (*'000 UAH*)	Interest rate change, %	Net interest gains change, (*'000 UAH*)	Sensitivity to net interest profit change, %
2021					
Ukrainian hryvnia	Assets	22 193 712	(2)	(443 874)	(28.8)
			2	443 874	28.8
	Liabilities	19 202 279	(1)	192 023	12.5
			1	(192 023)	(12.5)
USD	Assets	4 823 109	(2)	(96 462)	(6.2)
			2	96 462	6.2
	Liabilities	5 308 726	(1)	53 087	3.4
			1	(53 087)	(3.4)
EUR	Assets	3 516 914	(2)	(70 338)	(4.6)
			2	70 338	4.6
	Liabilities	3 339 509	(1)	33 395	2.2
			1	(33 395)	(2.2)
2020					
Ukrainian hryvnia	Assets	20,442,802	(2)	(408,856)	(30.5)
			2	408,856	30.5
	Liabilities	17,466,456	(1)	174,665	13.0
			1	(174,665)	(13.0)
USD	Assets	4,737,705	(2)	(94,754)	(7.1)
			2	94,754	7.1
	Liabilities	5,027,416	(1)	50,274	3.8
			1	(50,274)	(3.8)
EUR	Assets	3,866,205	(2)	(77,324)	(5.8)
			2	77,324	5.8
	Liabilities	3,765,211	(1)	37,652	2.8
			1	(37,652)	(2.8)

The table below presents the potential impact (net of tax) on the Bank's other comprehensive income for investment securities at FVOCI as at 31 December 2021 and 31 December 2020:

	Rate change (b. p.)	Impact on other comprehensive income (thousands of hryvnias) as at 31 December 2021	Impact on other comprehensive income (thousands of hryvnias) as at 31 December 2020
Ukrainian hryvnia	+100/-100	-47,598/ +47,595	-41,396 / +41,396

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) regardless of arising factors that are specific to the individual financial instrument or its issuer, or factors that affect all similar financial instruments involved in the transactions on the market.

Price risk management policy includes the development of measures to detect and neutralize possible negative events of other price risk. The Bank uses the following methods: pre-market testing of banking products; a more careful choice of counterparties; forecasting cyclical fluctuations of market conditions, their record in investment plans, taking other anti-crisis measures at the Bank's level: increasing liquidity by raising funds, optimizing the total costs; deeper preliminary assessment of the banking products profitability.

Geographical risk

Table 28.7 Geographical risk concentration analysis of the Bank's financial assets and liabilities in 2021

'000 UAH

Item	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	1,125,916	4,726,699	89,217	5,941,831
Trading assets	1,501,427	-	-	1,501,427
Due from banks	30,012	-	-	30,012
Loans and advances to customers	7,748,227	-	-	7,748,227
NBU certificates of deposit	10,709,578	-	-	10,709,578
Government bonds	7,634,907	-	-	7,634,907
Derivative financial assets	1,479	-	-	1,479
Other financial assets	2,788	-	-	2,788
Total financial assets	**28,754,334**	**4,726,699**	**89,217**	**33,570,249**
Liabilities				
Due to banks	189,996	28,057	451	218,504
Amounts due to customers	29,281,015	1,094,325	3,559	30,378,899
Derivative financial liabilities	1,663	-	-	1,663
Provisions for liabilities	494	-	-	494
Other financial liabilities	13,183	-	-	13,183
Total financial liabilities	**29,486,351**	**1,122,382**	**4,010**	**30,612,743**
Net balance sheet position	(732,017)	3,604,317	85,207	2,957,506
Unused credit facilities	23,481,633	39,136	5,456	23,526,225
Other credit commitments	226,374	15,433	267,326	509,133

Table 28.8 Geographical risk concentration analysis of the Bank's financial assets and liabilities in 2020

'000 UAH

Item	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	10,631	8,570,975	78,663	8,660,269
Trading assets	2,729,862	-	-	2,729,862
Due from banks	32,052	-	-	32,052
Loans and advances to customers	2,502,326	-	-	2,502,326
NBU certificates of deposit	7,051,824	-	-	7,051,824
Government bonds	6,769,927	-	-	6,769,927
Derivative financial assets	216	-	-	216
Other financial assets	3,993	-	-	3,993
Total financial assets	**19,100,831**	**8,570,975**	**78,663**	**27,750,469**
Liabilities				
Due to banks	85,533	65,170	456	151,159
Amounts due to customers	24,511,134	549,328	2,397	25,062,859
Derivative financial liabilities	5,951	-	-	5,951
Provisions for liabilities	324	-	-	324
Other financial liabilities	6,374	-	-	6,374
Total financial liabilities	**24,609,316**	**614,498**	**2,853**	**25,226,667**
Net balance sheet position	**(5,508,485)**	**7,956,477**	**75,810**	**2,523,802**
Unused credit facilities	21,345,716	39,206	-	21,384,923
Other credit commitments	445,073	55,520	-	500,594

To determine the geographical risk of the Bank, its assets and liabilities related to lending are classified based on the country of the counterparty; cash on hand of the Bank are classified according to the country of its physical location.

Other risks concentration

Concentration risk is not a separate type of banking risk but is a summarized one which includes elements of the following banking risks: credit, market, liquidity risk, operational and technological, geographic risk due to the concentration of activities on certain types of operations or on individual sources of financing.

The common characteristics that identifies each concentration risk is the possibility of incurring potential losses that could worsen the financial position of the Bank and lead to its inability to perform current operations as a result of focusing on activity with certain persons, certain types of instruments, assets, liabilities, regions and countries.

Liquidity risk

The liquidity risk is defined as present or potential risk for cash flows and equity, which occurs due to the Bank's inability to meet its obligations in due terms without sustaining unacceptable losses. Liquidity risk arises through inability to manage unforeseen outflow of funds, change of the sources of financing and/or off-balance sheet liabilities.

Assets, liabilities and liquidity are managed by the Assets and Liabilities Management Committee.
Liquidity risk is one of the key financial risks, which provides for stable financial position of the Bank if managed efficiently. With a view of liquidity risk management, the Bank carries out asset and liability structure analysis, liquidity gap analysis, both, in all currencies and per each transactional currency separately; under control is the Bank's compliance with obligatory attracted-fund provision requirements in the current account, compliance with the economic ratios established by the NBU, as well as the internal regulatory requirements. An important instrument of efficient liquidity risk management is application of the attracted fund-and-loan maturity equilibrium analysis, forecasting future cash flows.

The Bank's methodology and principles of liquidity risk management are set out in the Liquidity Risk Management Policy, where the concepts of liquidity risk are defined, general principles of liquidity risk management are described, and tools for liquidity risk assessment and control methods are specified.
According to corporate requirements, the Bank annually approves limits on asset and liability discrepancy per maturities and currencies. There is independent daily-basis control over compliance with the limits established by the Bank.

The Bank adheres to the requirements of economic ratios, established by the National Bank of Ukraine regarding liquidity risk monitoring.

Liquidity ratios	31 December 2021	31 December 2020
Short-term liquidity ratio (H6) Required ratio - not less than 60%	102.37%	106.91%
Liquidity coverage on all currencies ratio (LCR_{BB}) LCR_{BB} required ratio - not less than 100%	210.24%	243.20%
Liquidity coverage on foreign currencies ratio (LCR_{IB}) LCR_{IB} required ratio - not less than 100%	240.23%	243.73%

Table 28.9 Analysis of financial liabilities by maturity for 2021

‘000 UAH

Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Due to banks	218,504	-	-	-	-	218,504
Amounts due to	30,378,899	-	-	-	-	30,378,899
Derivative financial liabilities	1,663	-	-	-	-	1,663
Provisions for liabilities	-	1	491	2	-	494
Other financial liabilities	8,976	15	92	4,100	-	13,183
Guarantees	3,931	38,723	431,201	34,011	-	507,866
Import letters of credit	-	-	1,268	-	-	1,268
Irrevocable credit commitments	-	-	39,136	-	-	39,136
Total potential future payments on financial liabilities	**30,611,973**	**38,739**	**472,188**	**38,113**	**-**	**31,161,013**

Table 28.10 Analysis of financial liabilities by maturity for 2020

‘000 UAH

Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Due to banks	151,159	-	-	-	-	151,159
Amounts due to	25,062,859	-	-	-	-	25,062,859
Derivative financial liabilities	5,951	-	-	-	-	5,951
Provisions for liabilities	171	9	144	-	-	324
Other financial liabilities	6,287	45	40	2	-	6,374
Guarantees	239,997	75,727	50,727	2,716	-	369,167
Import letters of credit	101,752	6,000	23,675	-	-	131,427
Irrevocable credit commitments	39,206	-	-	-	-	39,206
Total potential future payments on financial liabilities	**25,607,382**	**81,781**	**74,586**	**2,718**	**-**	**25,766,467**

Given the structure of the financial liabilities, in 2021 and 2020 the contractual undiscounted cash flows on liabilities do not differ significantly from the expected cash flows from liabilities.

Operational Risk Management

Operational risk is the risk of actual or potential losses or income deficiencies arising from weaknesses or errors in the organization of internal processes, intentional or unintentional actions of the Bank's employees or other persons, failures of the Bank's information systems, or external factors. Operational risk includes legal risk, but should exclude reputational and strategic risk.

Information risk (a component of operational risk) is the risk of actual or potential losses or income deficiencies due to external or internal events, changes in the business environment and/or information technology or inadequate or erroneous internal processes related to:

- functioning and management of information systems and other information resources of the Bank and their management (information and communication technology (ICT) risk);
- safeguarding confidentiality, integrity and availability of the Bank's information (information security risk);

The overall operational risk management is assigned to the Business Risk, Compliance and Control Committee (BRCC). The operational control is carried out by the Operations and Technical Control Division and other structural divisions of the Operations Department and the Risk Management Department. Quarterly, the assessment of the effectiveness of internal controls (ISA) is carried out by the bank's units based on the likely operational risks.

The process of assessment and operational risk management (operational and technological risk) is detailed in the relevant internal regulations of Citibank and Citigroup, including:

- Operational risk management and risk assessment and control policies
- Operational risk management policy

Note 29 Capital Management

The capital management of the Bank is aimed at timely attraction and maintenance of sufficient amount of capital required to sustain the Bank's on-going operations, to support its strategic development goals and to create safeguards to mitigate risks occurring in banking. Capital management is a constituent of the general process of the Bank's asset and liability management, hence proposals as to capital increase, dividend payment and others are considered by the Bank's Assets and Liabilities Management Committee. Subsequently, these proposals are presented and approved by the Supervisory Board and the Bank's shareholders.

In accordance with the existent requirements to the level of capital, set up by the National Bank of Ukraine, all Ukraine-based banks are obliged to sustain the capital adequacy level (regulatory capital to risk weighted assets ratio) above an established minimum. As at 31 December 2021 and 2020, the minimal capital adequacy ratio set up by the NBU is 10%.

The Bank complies with the regulatory requirement as to the capital adequacy ratio as at 31 December 2021 and 2020. The Bank's minimal capital adequacy ratio as at 31 December 2021 and 2020 (according to statistical reporting form "Report on compliance with economic ratios and open currency position limits") exceeded the NBU requirement and amounted to 38.67% and 64.62%, respectively.

The NBU conducts regular stress testing of banks using certain assumptions of the stress test to verify compliance with regulatory requirements. If the stress test results indicate that capital adequacy may fall below the regulatory level in the future, the NBU may require an increase in regulatory capital above the minimum. Based on the stress testing results as at 31 December 2020, there were no additional regulatory capital requirements to the Bank from the NBU.

'000 UAH

Components of regulatory capital	31 December 2021	31 December 2020
Primary capital	1,032 182	1,034,676
Additional capital	1,667 761	1,328 685
Additional capital for the calculation	1,032 182	1,034,676
Total regulatory capital	**2,064 364**	**2,069,352**

In accordance with effective requirements, the minimum share capital of Ukrainian banks should equal UAH 200,000 thousand.

Note 30 Contingencies

Tax contingencies

The Ukrainian taxation is characterized by numerous taxes and frequently changing legislation. Tax regulations are often unclear, open to wide interpretation, and in some instances are conflicting. It is not uncommon that there are contradictions in interpretation of tax laws between local, oblast (unit of Country's administrative division) and national tax administrations, between the National Bank and Ministry of Finance. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines and penalties and interest charges. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

The management believes that they act in compliance with all current tax legislation. However, there can be no assurance that the tax authorities will not have a different interpretation of the Bank's compliance with existing legislation and assess fines and penalties. No provision for potential tax assessments has been recognized in these financial statements.

Litigations

The Bank is involved in various legal proceedings in the ordinary course of business. In the management's opinion, the outcomes of these litigations will not have significant impact on the Bank's financial position or performance.

Credit commitments

Table 30.1 Structure of financial commitments

'000 UAH

Item	31 December 2021	31 December 2020
Unused credit facilities	23,526,224	21,384,923
Revocable	23,487,088	21,345,717
Non-revocable	39,136	39,206
Guarantees given	507,866	369,166
Import letters of credit	1,268	131,427
Provision for credit related commitments	(494)	(324)
Total liabilities related to lending, less loss allowance	**24,034,864**	**21,885,192**

Funds held as collateral for letters of credit and guarantees as at 31 December 2021 amounted to UAH 228,458 thousand (31 December 2020: UAH 313,505 thousand). (Notes 13, 14).

Table 30.2 Financial commitments by currency

'000 UAH

Item	31 December 2021	31 December 2020
Ukrainian hryvnia	6,670,380	4,965,074
USD	15,752,903	14,980,483
EUR	1,317,361	1,632,444
Other	294,714	307,514
Total	**24,035,358**	**21,885,515**

Table 30.3 Collateral held under loan commitments

Item	Amount of the loan commitments as at 31/12/2021	Amount of collateral for the loan commitments as at 31/12/2021	Amount of the loan commitments as at 31/12/2020	Amount of collateral for the loan commitments as at 31/12/2020
Unused credit facilities	23,526,224	-	21,384,923	-
Revocable	23,487,088	-	21,345,717	-
Non-revocable	39,136	-	39,206	-
Guarantees given	507,866	22,189	369,166	63,138
Import letters of credit	1,268	-	131,427	35,598
Total liabilities related to lending	**24,035,358**	**22,189**	**21,885,516**	**99,736**

As at 31 December 2021 and 31 December 2020, the collateral held under loan commitments is represented by guarantees from investment grade banks, deposits from customers and from other banks (Notes 13, 14). Table 30.3 provides information on all types of collateral security and other credit enhancement, received by the Bank that is taken into calculation of the allowance of expected credit losses. The Bank considers receipt of a collateral, based on its liquidity level as an additional instrument of decreasing the credit risk. In the Tables the value of collateral does not exceed the value of the secured commitment.

Table 30.4 Analysis of the quality of loan commitments

(‘000 UAH)

Item	31 December 2021	31 December 2020
	Stage 1	Stage 1
Unused credit facilities	23,526,224	21,384,923
Revocable unused credit lines	23,487,088	21,345,717
Rating "1" - "3-": High rating	39,136	39,206
Rating "6" - "7-” Below standard rating	-	-
Guarantees given	507,866	369,166
Rating "1" - "3-": High rating	216,625	264,535
Rating "4+" - "6+": Standard rating	291,241	104,631
Rating "6" - "7-": Below standard rating	-	-
Import letters of credit	1,268	131,427
Rating "1" - "3-": High rating	-	131,427
Rating "4+" - "6+": Standard rating	1,268	-
Total liabilities related to lending	**24,035,358**	**21,885,516**

The method of determining credit risk and assigning a credit rating to credit-related commitments is identical to the methods used by the Bank for customer loans and is disclosed in Note 9.

In view of the existing controls that allow to constantly monitor the borrower's financial status and manage the limits and borrower's tranches, the Bank considers that there is no credit risk on unused credit lines.

The credit risk on individual loan commitments has not increased substantially since initial recognition. Accordingly, provisions for expected credit losses at the end of the reporting and prior periods were estimated using the 12-months ECL model.

Note 31 Fair Value of Assets and Liabilities

The estimated fair value of financial assets and financial liabilities is established by discounting future cash flow method and other appropriate valuation techniques and may not reflect the fair value of these instruments as of the date of distribution of these financial statements. These calculations do not reflect any premiums or discounts that may be offered as a result of a proposal to sell the entire amount of a certain financial instrument at a time. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

The Bank uses the following hierarchy methods to measure and disclose fair value of the financial instruments:

Established prices in an active market (level 1) – the measurement is based on established prices on similar assets or liabilities in active markets, to which the Bank has access. Price adjustments or discounts are not applied to these financial instruments. As the fair value measurement is based on established prices that already exist and are readily available in an active market, the fair value measurement of these instruments does not envisage use of significant professional judgment.

Measurement method with the use of observable data (level 2) – the measurement is based on the inputs that are observable, either directly or indirectly, and uses one or several established prices that are observable, for regular-way transactions in markets that are not regarded as active.

Measurement method with the use of information other than observable market data (level 3) – the measurement is based on valuation techniques that include inputs for the asset or liability that are not based on observable market data and is important for overall measurement of fair value.

Fair value of the financial assets quoted in the active market is measured according to quotes that represent conditions in which regular and recent transactions occur in the market. The Bank uses other valuation methods to measure fair value of the instruments if quotes for them are not available.

The following is a description of the methods to measure fair value of the financial instruments. They include the Bank's assessment of the assumptions that the market participants would make when determining the fair value of such instruments.

Securities

Where possible, the Bank measures fair value of the instrument using quotes for such instrument in an active market. The market is considered to be active if the transactions with assets or liabilities occur with a sufficient frequency and in volumes that ensure the availability of pricing information on a continuous basis. Inactive market characteristics typically include a significant reduction in volumes and level of activity involving an asset or liability; quotes that differ significantly with the time or depending on the market participants providing quotations; the indices for which there was a close correlation with an asset or liability fair value in the past, and now, quite obviously, they are no longer correlate with recent values of an asset or liability fair value. For existence of an active market it is required that the prices are available in free access and the transactions are regular on a commercial basis.

If there are no quotes in the active market, the Bank applies valuation techniques that maximize the use of relevant available input data and minimize the use of inaccessible data. The chosen method of valuation includes all factors that the market participants take into account when determining the actual selling price of the instrument.

Financial derivatives

Fair value is determined on the basis of market quotations or valuation models based on the current market and contractual value of the relevant underlying instruments and other factors.

Derivatives are carried as assets if their fair value is positive and as liabilities if it is negative.
Due from other banks and loans and advances to customers

Fair value of loans and advances to customers and due from other banks are classified as Level 3 of fair value hierarchy. Assessment is based on cash flows discounted at market rates.

The fair value of cash and cash equivalents, other financial assets and liabilities approximates their carrying value and relates to Level 2 of fair value hierarchy.

It is assumed that fair value of all short-term financial assets and liabilities equals their carrying value due to their short-term nature and market interest rates as at the period end. Fair value of loans and deposits with maturity of more than one year approximates their carrying value as the Bank has the right to amend interest rates for practically all loans when market interest rates change.

Reclassification within the hierarchy levels occurs due to changes in the active market and availability of the market data.

During the year ended 31 December 2021 and 31 December 2020, there were no reclassification of the financial assets carried at fair value from Level 1 to Level 2 or Level 3 of fair value hierarchy.

Table 31.1 Fair value of financial assets and liabilities at fair value as at 31 December 2021

('000 UAH)

Item	Fair value hierarchy			Total fair value	Total carrying amount
	Market quotations	Valuation technique with the use of observable data	Valuation technique with the use of other than observable market data		
	Level 1	*Level 2*	*Level 3*		
ASSETS					
Trading assets	-	1,501,427	-	1,501,427	1,501,427
state treasury bills	-	1,501,427	-	1,501,427	1,501,427
Government bonds	-	7,634,907	-	7,634,907	7,634,907
Derivative financial assets		1,479	-	1,479	1,479
Total financial assets	**-**	**9,137,813**	**-**	**9,137,813**	**9,137,813**
LIABILITIES					
Derivative financial liabilities	-	1,663	-	1,663	1,663
Total financial liabilities	**-**	**1,663**	**-**	**1,663**	**1,663**

Table 31.2 Fair value of financial assets and liabilities at fair value as at 31 December 2020

('000 UAH)

Item	Fair value hierarchy			Total fair value	Total carrying amount
	Market quotations	Valuation technique with the use of observable data	Valuation technique with the use of other than observable market data		
	Level 1	*Level 2*	*Level 3*		
ASSETS					
Trading assets	-	2,729,862	-	2,729,862	2,729,862
state treasury bills	-	2,729,862	-	2,729,862	2,729,862
Government bonds	-	6,769,927	-	6,769,927	6,769,927
Derivative financial assets		216	-	216	216
Total financial assets	**-**	**9,500,005**	**-**	**9,500,005**	**9,500,005**
LIABILITIES					
Derivative financial liabilities	-	5,951	-	5,951	5,951
Total financial liabilities	**-**	**5,951**	**-**	**5,951**	**5,951**

Set out below is a comparison by class and subclass of the fair values and carrying amounts of the Bank's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

Table 31.3 Fair value of financial assets and liabilities not carried at fair value as of 31 December 2021

'000 UAH

Item	Fair value hierarchy			Total fair value	Total carrying amount
	Market quotations	Valuation technique with the use of observable data	Valuation technique with the use of other than observable market data		
	Level 1	*Level 2*	*Level 3*		
ASSETS					
Cash and cash equivalents	**-**	**5,941,831**	**-**	**5,941,831**	**5,941,831**
cash balances with the NBU	-	1,116,319	-	1,116,319	1,116,319
correspondent accounts with banks	-	4,825 512	-	4,825 512	4,825 512
Due from banks	**-**	**30,012**	**-**	**30,012**	**30,012**
deposits in other banks:	-	30,012	-	30,012	30,012
Loans and advances to customers	**-**	**7,748,227**	**-**	**7,748,227**	**7,748,227**
corporate loans	-	7,722,285	-	7,722,285	7,722,285
mortgage loans to individuals	-	25,942	-	25,942	25,942
NBU certificates of deposit	**-**	**10,709,578**	**-**	**10,709,578**	**10,709,578**
Other financial assets	**-**	**2,788**	**-**	**2,788**	**2,788**
Total financial assets	**-**	**24,432,436**	**-**	**24,432 436**	**24,432 436**
LIABILITIES					
Due to banks	**-**	**218,504**	**-**	**218,504**	**218,504**
correspondent accounts of other banks	-	218,504	-	218,504	218,504
Amounts due to customers	**-**	**30,378,899**	**-**	**30,378,899**	**30,378,899**
state-owned and civil organizations:	-	84,807	-	84,807	84,807
other legal entities	-	30,294,087	-	30,294,087	30,294,087
individuals	-	5	-	5	5
Provisions for liabilities		**494**		**494**	**494**
Other financial liabilities	**-**	**13,183**	**-**	**13,183**	**13,183**
Total financial liabilities	**-**	**30,611,080**	**-**	**30,611,080**	**30,611,080**

Table 31.4 Fair value of financial assets and liabilities not carried at fair value as at 31 December 2020

‘000 UAH

Item	Fair value hierarchy			Total fair value	Total carrying amount
	Market quotations	Valuation technique with the use of observable data	Valuation technique with the use of other than observable market data		
	Level 1	*Level 2*	*Level 3*		
ASSETS					
Cash and cash equivalents	-	8,660,269	-	8,660,269	8,660,269
cash balances with the NBU	-	1,080	-	1,080	1,080
correspondent accounts with banks	-	8,659,189	-	8,659,189	8,659,189
Due from banks	-	**32,052**		**32,052**	**32,052**
deposits in other banks:	-	32,052		32,052	32,052
Loans and advances to customers	-	2,502,326		2,502,326	2,502,326
corporate loans	-	2,466,347		2,466,347	2,466,347
mortgage loans to individuals	-	35,979		35,979	35,979
NBU certificates of deposit	-	**7,051,824**	-	**7,051,824**	**7,051,824**
Other financial assets	-	**3,993**	-	**3,993**	**3,993**
Total financial assets	-	**18,250,464**	-	**18,250,464**	**18,250,464**
LIABILITIES					
Due to banks	-	**151,159**	-	**151,159**	**151,159**
correspondent accounts of other banks	-	151,159	-	151,159	151,159
Amounts due to customers	-	**25,062,859**	-	**25,062,859**	**25,062,859**
state-owned and civil organizations:	-	126,711	-	126,711	126,711
other legal entities	-	24,936,119	-	24,936,119	24,936,119
individuals	-	29	-	29	29
Provisions for liabilities		**324**		**324**	**324**
Other financial liabilities	-	**6,374**	-	**6,374**	**6,374**
Total financial liabilities	-	**25,220,716**	-	**25,220,716**	**25,220,716**

Due from other banks in the amount of UAH 30,012 thousand as at 31 December 2021 and UAH 32,052 thousand as at 31 December 2020 are presented by a guarantee deposit for transactions with the VISA payment system.

Note 32 Related Party Transactions

In the normal course of business, the Bank provides loans and advances to customers, attracts deposits and performs other transactions with related parties. The parties are considered related in case when one party has opportunity to control the other or exercises significant influence on the other party in making financial and operating decisions.

The terms of transactions between related parties are established at the time of transactions. For the Bank, the related parties are the members of the Supervisory Board, the Management Board and members of their families, business entities that are under joint control.

The Bank assesses credit risks associated with loans to related parties and manages them based on regulations established by the NBU.

Key management personnel are: Chairman and members of the Supervisory Board, of the Management Board; Chairman of the Credit and Tariff Committees of the Bank, Chief Accountant and his/her deputies, Head of Internal Audit, Head of Risk Department, Head of Compliance Department.

Citigroup Inc. financial corporation is the ultimate beneficiary of the Bank. The direct shareholders of the Bank are Citibank Overseas Investment Corporation (67% of the share capital) and Citicorp Leasing International LLC (33% of the share capital).

Table 32.1 Outstanding balances with related parties as at 31 December 2021

'000 UAH

Item	Entities under common control	Key management personnel
Cash and cash equivalents	4,815,447	-
Loans and advances to customers (contractual interest rate: 3%)	-	3,317
Provision for payables on loans	-	(6)
Other assets	48	-
Due to banks	(452)	-
Amounts due to customers	(14,136)	-
Other liabilities	(236)	-

Table 32.2 Income and expense items with related parties for 2021

'000 UAH

Item	The Bank's largest shareholders	Entities under common control	Key management personnel
Interest income	-	3,586	105
Gains less losses from foreign currency transactions	-	(458,502)	-
Commission income	273	21,439	-
Commission expense	-	(24,894)	-
Administrative and operating expenses	-	-	(84,933)

Table 32.3 Other rights and obligations under transactions with related parties as at 31 December 2021

'000 UAH

Item	Key management personnel	Entities under common control
Guarantees issued	-	15,433
Guarantees received	6,060	9,692,502

As at 31 December 2021, financial guarantees were drawn from companies under common control to secure certain loans to customers and financial commitments. Detailed information on the respective loans covered by the guarantees received is provided in Note 9.

Table 32.4 Amounts lent to and repaid by related parties during 2021

'000 UAH

Item	Key management personnel
Total loans repaid by the related parties during the period	493

Table 32.5 Outstanding balances with related parties as at 31 December 2020

'000 UAH

Item	Entities under common control	Key management personnel
Cash and cash equivalents	8,649,672	-
Loans and advances to customers (contractual interest rate: 3%)	-	2,824
Provision for payables on loans	-	(4)
Due to banks	464	-
Amounts due to customers	737	-

Table 32.6 Income and expense items with related parties for 2020

'000 UAH

Item	The Bank's largest shareholders	Entities under common control	Key management personnel
Interest income	-	23,015	123
Gains less losses from foreign currency transactions	4,196	1,715,316	-
Commission income	269	20,326	2
Commission expense	-	(25,629)	-
Charge to allowance for impairment of loans and due from other banks	-	-	(4)
Administrative and operating expenses	-	(665)	(74,295)

Table 32.7 Other rights and obligations with related parties as at 31 December 2020

'000 UAH

Item	Key management personnel	Entities under common control
Guarantees issued	-	50,997
Guarantees received	5,734	9,575,511

As at 31 December 2020, financial guarantees were drawn from companies under common control to secure certain loans to customers and financial commitments. Detailed information on the respective loans covered by the guarantees received is provided in Note 9.

Table 32.8 Amounts lent to and repaid by related parties during 2020

'000 UAH

Item	Key management personnel
Total loans repaid by the related parties during the period	1,688

Table 32.9 Key management compensation

'000 UAH

Item	2021		2020	
	expenses	accrued liability	expenses	accrued liability
Current payments to employees	60,889	-	53,217	-
Dismissal payments	-	-	-	-
Share-based payments	-	-	973	-
Medical insurance	911	-	759	-
Additional payments under contracts	18,536	-	15,549	-
Vacation provision	3,747	5,210	4,017	4,426
Other compensation payments	851	-	753	-

Note 33 Subsequent Events

In February 2022, an agreement on the transfer of shares between the shareholders of the Bank was signed, which resulted in Citibank Overseas Investment Corporation gaining a 100% ownership of the Bank.

As described in Note 2, on 24 February 2022, Russian troops invaded Ukraine and launched military operations on a large part of its territory. As at the date when these financial statements are authorized for issue, military operations continue and martial law is introduced on the territory of Ukraine.