

**JSC «BANK CREDIT DNEPR»
Financial Statements**

*for the year ended December 31, 2024,
with Independent Auditors' Report*

Translation from Ukrainian original

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Statement of responsibilities of management for preparation and approval of financial statements for the year ended December 31, 2024

The statement here below, which should be read in conjunction with description of independent auditor's responsibilities, contained in attached Independent Auditor's Report, is presented to separate responsibilities of management and those of independent auditor in relation to financial statements of Joint Stock Company "BANK CREDIT DNEPR" (hereinafter – the Bank).

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at December 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, management is responsible for:

- proper selection and application of accounting policies;
- use of justified estimates and assumptions;
- compliance with requirements of IFRSs or disclosure and explanation of all material departures from IFRSs in financial statements;
- preparation of financial statements of the Bank based on assumption that the Bank will continue as a going concern, except for cases, when the assumption is not justified.

Management of the Bank is responsible for:

- design, implementation, and maintenance of effective and sound system of internal controls throughout the Bank;
- keeping of adequate accounting records that are sufficient to show and explain the Bank's financial position which enables them to ensure that the financial statements of the Bank comply with IFRS;
- compliance of accounting with laws and accounting standards applicable in Ukraine;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank;
- detection and prevention of fraud and other irregularities.

The financial statements for the year ended on December 31, 2024, were signed on behalf of the Management Board by:

Chairman of the Management Board

Sergii PANOV

Financial director

Andriy BILOUS

Chief accountant

Ruslan CHUDAKIVSKYI

April 21, 2025

STATEMENT OF FINANCIAL POSITION

as at December 31, 2024

(UAH'000)

	Note	2024	2023
Assets			
Cash and cash equivalents	7	6 732 660	8 152 323
Due from other banks	8	315 461	267 893
Loans and advances to customers	9	7 829 735	4 335 277
Investments in securities	10	8 994 566	6 802 864
Derivative financial assets		75 262	244 320
Investment property	11	96 259	121 807
Deferred tax assets	15	220 850	292 594
Intangible assets	13	95 490	58 560
Fixed assets	14	355 211	327 772
Other financial assets	12	30 675	20 548
Other non-financial assets	12	226 253	219 073
Non-current assets held for sale	16	29 890	52 913
Total assets		25 002 312	20 895 944
Liabilities			
Due to banks		80	40 119
Due to customers	17	21 780 069	18 476 538
Other borrowed funds	18	311 547	-
Provisions	19	48 664	46 792
Other financial liabilities	20	155 533	135 502
Other non-financial liabilities	20	53 326	33 861
Income tax	15	170 476	67 914
Total liabilities		22 519 695	18 800 726
Equity			
Share capital	22	3 586 561	3 586 561
Accumulated deficit		(1 649 917)	(1 810 628)
Share premium		17 469	17 469
Reserves and other funds		75 711	61 430
Revaluation reserves		452 793	240 386
Total equity		2 482 617	2 095 218
Total liabilities and equity		25 002 312	20 895 944

Signed on behalf of the Management Board on April 21, 2025.

Chairman of the Management Board

Sergii PANOV

Financial director

Andriy BILLOUS

Chief accountant

Ruslan CHUDAKIVSKYYI

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended on December 31, 2024

(UAH'000)

	<i>Note</i>	<i>2024</i>	<i>2023</i>
Interest income	23	3 028 610	2 784 227
Interest expense	23	(1 677 865)	(1 711 120)
Net interest income		1 350 745	1 073 107
Commission income	24	204 447	216 355
Commission expense	24	(143 840)	(103 739)
Net commission income		60 607	112 616
Other income	25	46 053	38 247
Net income from transactions with financial instruments at fair value through profit or loss		(99 781)	(135 860)
Net income (loss) from transactions with debt instruments at fair value through other comprehensive income		254 995	67 597
Net income from currency transactions		167 899	150 597
Net profit (loss) from revaluation of foreign currency		(12 798)	3 581
Net loss from revaluation of investment property	11	(4 868)	(81 572)
Losses at initial recognition of financial assets at interest rate above or below the market rate		-	(1 479)
Allowance for expected credit losses for financial instruments		(408 825)	(288 931)
Other gains (losses)	26	(18 127)	9 613
Labor remuneration		(669 726)	(561 697)
Depreciation and amortization		(74 684)	(65 615)
Administrative and other operating expenses	27	(274 635)	(216 617)
Income from derecognition of financial assets at amortized cost		29 502	7 520
Profit before tax		346 357	111 107
Income tax expense	15	(171 365)	31 705
Profit for the year		174 992	142 812

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(continued)

for the year ended on December 31, 2024

(UAH'000)

	Note	2024	2023
Other comprehensive income:			
Items not to be reclassified into profit or loss after taxes:			
Changes of revaluation of investments into equity instruments	22	(110)	-
Revaluation of fixed assets	22	-	(7 966)
Other comprehensive income not to be reclassified to profit or loss after taxes		(110)	(7 966)
Items to be reclassified into profit or loss after taxes:			
Revaluation of debt financial instruments	22	445 478	336 679
Realised gains from securities at fair value through other comprehensive income reclassified to profit or loss	22	(232 961)	(61 754)
Total other comprehensive income to be reclassified into profit or loss after taxes		212 517	274 925
Total other comprehensive income		212 407	266 959
Total comprehensive income for the year		387 399	409 771
Net earnings per share:			
Net basic earnings per share (measured in UAH per share)	28	0,05	0,04

Signed on behalf of the Management Board on April 21, 2025.

Chairman of the Management Board

Sergii PANOV

Financial director

Andriy BILOUS

Chief accountant

Ruslan CHUDAKIVSKYI

STATEMENT OF CHANGES IN EQUITY

for the year ended on December 31, 2024

(UAH'000)

	<i>Share capital</i>	<i>Reserves and other funds</i>	<i>Share premium</i>	<i>Revaluation reserves</i>	<i>Accumulated deficit</i>	<i>Total equity</i>
January 1, 2023	3 586 561	60 768	17 469	(26 573)	(1 952 778)	1 685 447
Profit for the year	-	-	-	-	142 812	142 812
Other comprehensive income	-	-	-	266 959	-	266 959
Total comprehensive income for the year	-	-	-	266 959	142 812	409 771
Allocation of profit of previous years: transfer to reserve fund	-	662	-	-	(662)	-
December 31, 2023	3 586 561	61 430	17 469	240 386	(1 810 628)	2 095 218

	<i>Share capital</i>	<i>Reserves and other funds</i>	<i>Share premium</i>	<i>Revaluation reserves</i>	<i>Accumulated deficit</i>	<i>Total equity</i>
January 1, 2024	3 586 561	61 430	17 469	240 386	(1 810 628)	2 095 218
Profit for the year	-	-	-	-	174 992	174 992
Other comprehensive income	-	-	-	212 407	-	212 407
Total comprehensive income for the year	-	-	-	212 407	174 992	387 399
Allocation of profit of previous years: transfer to reserve fund	-	14 281	-	-	(14 281)	-
December 31, 2024	3 586 561	75 711	17 469	452 793	(1 649 917)	2 482 617

Signed on behalf of the Management Board on April 21, 2025.

Chairman of the Management Board

Sergii PANOVA

Financial director

Andriy BILOUS

Chief accountant

Ruslan CHUDAKIVSKYI

STATEMENT OF CASH FLOWS

for the year ended on December 31, 2024

(UAH'000)

	<i>Note</i>	<i>2024</i>	<i>2023</i>
Operating cash flows			
Interest income received		2 805 839	2 663 430
Interest expense paid		(1 670 498)	(1 701 631)
Commission income received		203 614	215 312
Commission expense paid		(143 703)	(103 703)
Transactions with financial instruments at fair value through profit or loss		69 277	136 381
Results of transactions with securities at fair value through other comprehensive income		254 995	67 597
Transactions with foreign currencies		167 899	150 597
Other operating income received		77 398	52 248
Provisions utilization		(1 652)	(282)
Employee cost paid		(667 875)	(559 238)
Administrative and other operating expenses paid		(261 564)	(193 626)
Income tax		(67 899)	-
Operating cash flows before changes in operating assets and liabilities		765 831	727 085
<i>Changes in operating assets</i>			
Due from other banks		(7 527)	(120 818)
Investments in securities (at fair value through profit or loss)		(3 293 709)	(502 195)
Loans and advances to customers		(8 997)	(15 306)
Other financial assets		702	11 452
Non-current assets held for sale		24 648	1 775
Due to banks		(39 993)	(1 105 618)
Due to customers		2 894 000	1 971 116
Other financial liabilities		1 124	(19 998)
Other non-financial liabilities		(2 806)	2 298
Net operating cash flows		333 273	949 791
Investing cash flows			
Purchase of securities		(10 152 793)	(8 879 033)
Proceeds from sale of securities		8 026 966	4 448 075
Purchase of fixed assets		(31 463)	(32 871)
Sale of fixed assets		114	-
Purchase of intangible assets		(51 717)	(8 172)
Proceeds from sale of investment property	11	25 277	-
Net investing cash flows		(2 183 616)	(4 472 001)
Financing cash flow			
Inflow of other borrowed funds	18	315 715	-
Repayment of other borrowed funds	18	(4 936)	-
Lease related liabilities		(31 498)	(23 371)
Net financing cash flow		279 281	(23 371)
Effect of exchange rate changes on cash and cash equivalents		151 107	58 657
Effect of expected credit losses on cash and cash equivalents		292	9 595
Net decrease of cash and cash equivalents		(1 419 663)	(3 477 329)
Cash and cash equivalents, opening balance	7	8 152 323	11 629 652
Cash and cash equivalents, closing balance	7	6 732 660	8 152 323

Signed on behalf of the Management Board on April 21, 2025.

Chairman of the Management Board

Sergii PANOVA

Financial director

Andriy BILOUS

Chief accountant

Ruslan CHUDAKIVSKYI

Notes at p.p. 6-6 are an integral part of these financial statements

1. Background information

Joint Stock Company "BANK CREDIT DNEPR" (the "Bank") was established on July 7, 1993, according to the decision of the General Meeting of Shareholders of the Bank and in accordance with the law of Ukraine.

The change in the legal name and organizational form of the Bank from a closed joint-stock company to a public joint-stock company was officially registered on July 16, 2009. The Bank changed the form of organization from Public Joint Stock Company "BANK CREDIT DNEPR" to Joint Stock Company "BANK CREDIT DNEPR" due to the changes in Ukrainian law in April 2018.

On January 23, 2020, the Bank received a certificate of registration of the issue of shares for a total amount of UAH 3.58 billion, after which the registered and paid-up share capital of the Bank amounts to UAH 3.58 billion.

On November 29, 2023, a new version of the Bank's charter was registered, which was approved by the National Bank of Ukraine on December 18, 2023.

The Bank operates under the general banking license No 70 renewed by the National bank of Ukraine (NBU) on October 22, 2018, which allows the Bank to conduct banking operations, including foreign currency transactions. The Bank also has licenses for securities operations and custody services from the National Commission for Securities and Stock Market of Ukraine, which were renewed in 2012 - 2013 for an unlimited period.

The Bank accepts deposits from individuals and grants loans, transfers payments across Ukraine and abroad, exchanges foreign currencies and provides banking services to its corporate customers and individuals. The Bank also develops programs to support small and medium businesses, provides financing for agricultural producers, expanding the list of services for business customers engaged in foreign economic activities.

Legal address of the Bank and its head office location is 32 Zhylyanska str., Kyiv, Ukraine 01033. Country of residence is Ukraine. As at December 31, 2024, the Bank has 34 offices all over Ukraine (2023: 33 offices).

As at December 31, 2024, 100% of the Bank's shares were owned by O. Yaroslavsky, owner and president of DCH Group.

As at December 31, 2024, O. Yaroslavsky (the Shareholder) is the ultimate beneficiary of the Bank.

2. Operating environment

Russia's full-scale invasion of Ukraine, which began on February 24, 2022, led to the introduction of martial law throughout Ukraine, which remains in effect to this day and has become a decisive factor in the financial and economic crisis.

As at the end of 2024, the Autonomous Republic of Crimea and parts of the Donetsk, Zaporizhzhia, Luhansk, Mykolaiv, Kharkiv, and Kherson regions remain temporarily occupied by Russia. Active hostilities are continuing along the entire front line.

In 2024, the aggressor intensified its massive missile strikes on critical infrastructure, particularly energy facilities. According to a study by the Kyiv School of Economics (KSE), the total direct damage to Ukraine's infrastructure as a result of Russia's full-scale invasion reached almost \$170 billion. Compared to the beginning of 2024, this figure increased by \$12.6 billion as a result of further destruction caused by missile attacks and combat operations.

In 2024, Ukraine's real GDP grew by 3.4%, which is less than the previous forecast by the NBU. Economic growth slowed down compared to 2023. This is explained not only by poorer harvests and somewhat weaker than expected external demand, but also by the realization of risks of increased intensity of hostilities, intensified Russian air strikes, and the associated electricity shortages. Persistent high security risks also deterred the return of migrants and led to a continued significant labour shortage.

In 2024, Ukraine received approximately \$42 billion from international partners in the form of loans and grants. Thanks to these funds, the government was able to finance a significant budget deficit (about 24% of GDP, excluding grants in revenues), and the NBU was able to maintain currency market stability and increase international reserves to a record high (US\$43.8 billion at the end of 2024). Ukraine is expected to receive US\$38.4 billion in external financing in 2025. Taking into account the government's measures to increase its own revenues and borrow on the domestic debt market, these funds should be sufficient to fully cover the planned budget deficit for this year (about 19% of GDP excluding grants in revenues) without resorting to emission sources.

In December 2024, inflation accelerated to 12% year-on-year. High consumer price growth was largely driven by temporary factors, primarily related to the effects of last year's poor harvests. At the same time, fundamental price pressures intensified. This is evidenced by a further acceleration of core inflation (to 10.7% y/y in December), driven in particular by rapid growth in services prices (12.5% y/y in December). This price dynamics was driven by higher business costs for raw materials, materials, and electricity, as well as wage increases amid a continuing labour shortage. At the same time, price growth has been somewhat dampened in recent months by the strengthening of the hryvnia against the euro, which is important for Ukrainian imports.

Given the expected acceleration of inflation, the NBU stopped lowering its key policy rate in July 2024 and began a cycle of tightening monetary policy at the end of the year. To curb inflation, the NBU decided to raise the key policy rate from 13.0% to 13.5% per annum starting December 13, 2024. This was the first increase since July 2023. The NBU's updated macroeconomic forecast envisages further tightening of interest rate policy in the first half of 2025 to contain inflationary

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pressures. In accordance with the decisions of the NBU Board dated January 23, 2025, and March 6, 2025, the key policy rate was raised once again to 14.5% per annum and 15.5% per annum, respectively. These decisions, together with changes to the operational design of the NBU's interest rate policy, are aimed at maintaining the attractiveness of savings in hryvnia, preserving the stability of the foreign exchange market, and keeping inflation expectations under control, which should enable inflation to return to a path of steady deceleration toward the 5% target.

In accordance with the currency liberalization plan, the National Bank of Ukraine introduced a number of easing measures regarding currency restrictions during 2024, in particular regarding the import of services, works, and intellectual property rights, payments under loan agreements with non-residents, and dividend payments.

In October 2024, the Verkhovna Rada of Ukraine adopted Law No. 4015-IX "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine to Ensure Balanced Budget Revenues During Martial Law," which increased tax rates to boost state budget revenues, which in turn could significantly affect the business environment in Ukraine. In particular, the amendments introduce an increase in the military tax rate on personal income from 1.5% to 5% and the retrospective application of an increased basic income tax rate for banks of 50% on all taxable income in 2024.

The banking system of Ukraine is generally profitable. According to preliminary data for the 2024 annual audit, banks earned UAH 103.7 billion in profits. Strong financial results and a retroactive increase in the corporate income tax rate to 50% increased the amount of income tax accrued by banks for 2024 to UAH 83.7 billion. (In 2023, banks received UAH 83 billion in net profit after paying UAH 77 billion in income tax at the increased rate of 50%).

During the reporting year, the net hryvnia loan portfolio of businesses grew by 21%, and that of households by almost 40%. Investments in government bonds, which grew by 35% over the year, remain a significant factor in maintaining banks' profitability in 2024. In December, net commission income for the year also grew by 11.3% and reached pre-war levels for the first time since the start of the full-scale war.

In 2024, the banking system of Ukraine successfully completed the second stage of transition to a new three-tier capital structure in accordance with EU requirements and, as of January 1, 2025, maintains sufficient capital reserves at all levels. In accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" effective as of August 5, 2024, banks have transitioned to a three-tier capital structure and new capital adequacy ratios with the application of a number of transitional provisions, including a phased schedule for achieving the minimum regulatory capital adequacy ratio, namely:

- from August 5, 2024, to December 31, 2024 – not less than 8.5%;
- from January 1, 2025, to June 30, 2025 – not less than 9.25%;
- from July 1, 2025 – not less than 10%.

Regulatory capital adequacy remained high, at around 17% as of January 1, 2025. Despite a further increase in banks' administrative expenses, their operational efficiency remains high.

Overall, as at January 1, 2025, all banks comply with the minimum capital adequacy requirements at all levels. At the same time, the NBU expects that, given the repeated retrospective increase in the income tax rate, the capital adequacy ratios of some banks will decline after the increase in taxes and the decrease in profits for 2024 are reflected in the financial statements.

Russian aggression poses risks of further decline in economic potential, particularly due to the loss of people, territories, and production facilities. The speed of the economy's return to normal functioning will depend on the nature and duration of the hostilities. The main risks caused by Russian aggression remain unchanged: the emergence of additional budgetary needs, primarily to maintain defence capabilities; possible additional tax increases, which, depending on the parameters, may exacerbate price pressures; further damage to infrastructure, particularly energy infrastructure, which will limit economic activity and put downward pressure on prices; a deepening of negative migration trends and a further expansion of the labour shortage in the domestic labour market. There are also risks of a decline in the regularity of international assistance and less favourable external economic trends than currently expected, in particular due to greater geopolitical polarization of countries and the corresponding fragmentation of world trade. However, positive scenarios are also possible, primarily related to increased financial support from partners (in particular through the use of the principal amount of frozen Russian assets to compensate Ukraine for its losses) and efforts by the international community to ensure a just and lasting peace for Ukraine. In addition, further acceleration of European integration processes and infrastructure reconstruction, including energy infrastructure, is possible.

The problems of Ukraine's financial and economic development, the shortage of qualified specialists, and energy security for businesses have created challenges for stimulating the development of new approaches and innovations. Companies have actively developed their online presence, optimizing their sales through online stores, using artificial intelligence to optimize business processes, introducing environmentally friendly practices and sustainable development strategies, and implementing e-commerce through new social media platforms, which required the adaptation of marketing and sales strategies.

Management believes that it is taking appropriate measures to maintain the Bank's stable operations as required by the circumstances, although further instability in the business environment may adversely affect the Bank's results of

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operations and financial condition, the nature and extent of which cannot be determined at this time. These annual financial statements reflect management's current assessment of the impact of the operating environment in Ukraine on the Bank's operations and financial position. Still, future operating conditions may differ from management's estimates.

3. Basis of preparation of financial statements

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation

The financial statements are prepared under the historical cost convention except for buildings (classified as fixed assets), investment property, investment securities and transactions with derivatives at fair value, assets, held for sale as disclosed at the lowest of cost or fair value net of selling cost.

Going concern

These financial statements have been prepared on the assumption that the Bank operates as a going concern and will remain active for the foreseeable future. Note 6 discloses the main factors considered by the management when assessing the Bank's ability to continue as going concern.

Functional and presentation currency

The functional currency for these financial statements is Ukrainian hryvnia. These financial statements are presented in thousands of Ukrainian hryvnias (UAH), if not stated otherwise.

4. Summary of accounting policies

4.1. Changes in accounting policies and disclosure guidelines

Accounting policies applied are the same as the policies applied by the Bank in the previous reporting year, except for the effect of new standards, applicable as of January 1, 2024.

New standards applicable as of January 1, 2024

The following new standards and interpretations are applicable and mandatory for the Bank as of January 1, 2023, or at a later date. The Bank did not implement early application of standards, interpretations or amendments that have been issued but are not effective yet.

The nature of the impact of these changes is presented below. While some standards and amendments were applied for the first time in 2024, they had no material impact on the annual financial statements. The nature and impact of every new standard or amendment are disclosed below:

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current - In January 2020, the IASB adopted amendments to paragraphs 69-76 of IAS 1. The amendments provide clarification on the following:

- what is meant by the right to defer settlement of a liability;
- the right to defer settlement of a liability must exist at the end of the reporting period;
- the classification of liabilities should not be affected by the likelihood that the entity will exercise its right to defer settlement of the liability;
- the terms of the obligation will not affect its classification unless the derivative instrument embedded in the convertible liability is an equity instrument.

The amendment has no effect on the financial statements of the Bank.

Amendments to IAS 1 “Presentation of Financial Statements” – “Non-current liabilities with covenants” stipulate that if an entity's right to defer settlement of a liability is subject to covenants within 12 months after the reporting date, the entity shall disclose additional information in the notes that enables users of financial statements to understand the risk that the liability will have to be settled within 12 months after the reporting date. In particular, the following information must be disclosed: information on the nature of the covenants, when the organization must fulfil these covenants, the carrying amount of the related liabilities; facts and circumstances that indicate that the entity may have difficulties in fulfilling the covenants, including those that can be assessed at the end of the reporting period.

The amendments have no effect on the financial statements of the Bank.

Amendments to IFRS 16 Leases – Lease liabilities in sale and leaseback transactions, amendments issued by the IASB in September 2022.

The amendments supplement the requirements of IFRS 16 regarding sale and leaseback, thereby supporting the consistent application of this standard. Specifically, the amendments clarify that the lessor-seller does not recognize any amount of

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profit or loss relating to the right of use retained by the lessor-seller. However, this does not prevent the lessor from recognizing in profit or loss any gain or loss related to the partial or complete termination of such a lease.

The amendments have no effect on the financial statements of the Bank.

Amendments to IFRS 7 “Cash Flow Statements” and IFRS 7 “Financial Instruments: Disclosures” – “Supplier Financing Arrangements,” amendments to IAS 7 and IFRS 7, were published in May 2023.

These amendments clarify the characteristics of supplier financing arrangements and require additional disclosures about such arrangements.

The new disclosures are intended to provide additional information to users of financial statements to understand the impact of such supplier financing arrangements on the reporting entity's liabilities and the impact of such arrangements on its cash flows and liquidity risk.

The amendments have no effect on the financial statements of the Bank.

4.2. Significant accounting policies

Foreign currency translation

Transactions in foreign currencies are translated to UAH at the NBU exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to UAH at the NBU exchange rate as at the date of the transaction. Exchange rate differences, arising on translation, are recognized as profit or loss in *Revaluation of foreign currency* item. Non-monetary assets and liabilities denominated in foreign currencies are translated to UAH at the NBU exchange rate as at the date of the transaction.

The official UAH exchange rates used in the preparation of these financial statements as at December 31 are as follows:

Currency	2024	2023
USD	42,0390	37,9824
EUR	43,9266	42,2079

4.2.1. Financial instruments

Initial recognition

Financial assets and liabilities are recognized as at the date of transaction when the Bank becomes a party in a contract on the purchase or sale of a financial instrument or as at the date of settlement when the Bank factually receives or transfers an asset. The selected method is consistently applied to all purchases or sales of the financial instruments of the same category. Loans are recognized when they are transferred to customer accounts, while deposits and funds of customers are recognized when funds are credited to an account in the Bank.

The Bank classifies financial assets as those valued at:

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

A financial asset is classified to the category of assets valued at AC, if both following conditions are met: (a) held within business model to receive contractual cash flows; (b) held to receive scheduled cash flows, which are only payments under contract to redeem principal and interest payments on outstanding principal.

A financial asset is classified to the category of assets valued at FVOCI, if both following conditions are met: (a) held within business model to receive contractual cash flows and to sell; (b) held to receive scheduled cash flows, which are only payments to redeem principal and interest payments on outstanding principal.

A financial asset is classified to the category of assets valued at FVTPL, if: (a) it does not comply with requirements to AC or FVOCI categories; (b) at the initial recognition (without further reclassification) if inconsistency of approaches to valuation or recognition (inconsistency of accounting) from use of differed bases for valuation assets and liabilities or recognition of related profit and loss is mitigated or significantly reduced.

Classification is based on:

- business model of the Bank for management of financial assets;
- contractual characteristics of cash flows under a financial asset.

Business models. The Bank applies the following business-models to manage its financial assets:

Model of assets held within business-model to receive contractual cash flows intended to hold assets to generate contractual cash flows; sell assets due to deterioration of credit quality of assets to minimize losses of expected cash flows; sell to manage credit risk (such sales may be uncommon, even if their scope is significant, or their scope is not significant (even if they happen often)); sale of assets shortly before maturity of financial assets and proceeds from sale are approximately equal to remaining cash flows. Financial assets under this business model are valued at amortized cost;

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Model of assets held to receive contractual cash flows or sell the asset intended to manage the Bank's liquidity, while assets under this model are held to receive contractual cash flows or to sell. Financial assets under this business-model are evaluated at fair value through other comprehensive income;

Management of trading assets model intended to hold assets for sale or buyback in near future; management of assets is based on fair value. Financial assets under this business model are valued at fair value through profit or loss. This business model also includes financial assets, which do not comply with criteria of classification as asset at amortized cost or fair value through other comprehensive income.

SPPI-test. For classification purposes, the Bank used the SPPI-test to analyse contractual cash flows, if they are cash flows from redemption of principal and interest payment on outstanding principal only. SPPI-test includes in-depth analysis of contractual terms, in particular: (a) time value of money; (b) contractual terms changing term or amount of contractual cash flows; (c) contract-related instruments.

During SPPI test the Bank groups financial assets into three portfolios:

- *Portfolio 1* – SPPI-test is evident for this group of assets from the general contractual terms (redemption of principal and interest payments only, only standard fees for asset generation, other contractual payments are penalties for breach of contractual terms);
- *Portfolio 2* – collective analysis is possible for this subgroup of similar assets (standardized bank products);
- *Portfolio 3* – assets analysed on an individual basis.

The Bank classifies all financial assets, which passed the SPPI-test, at amortized cost and at fair value through other comprehensive income. The financial assets which did not pass SPPI-test by the special decision of the Bank are classified at fair value through profit or loss.

At initial recognition of some investments to equity instruments valued at FVTPL the Bank can take the decision to recognize the further change in fair value of these investments as other comprehensive income. Such investments are not to be reclassified.

Classification of financial liabilities

All financial liabilities except for credit commitments and financial guarantees are valued at amortized cost or at fair value through profit or loss, if they are tradable or derivatives, or at fair value through profit or loss by the decision of the Bank.

Derivatives

Derivative is an instrument or agreement, which has simultaneously three following criteria: (1) its value changes due to changes of exchange rate, index or rate, good price or other variable; (2) no initial investments are required to purchase it, or initial investment is insignificant; (3) settlements on instrument will be made in future.

Derivatives are initially recognized at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in profit or loss.

Embedded derivative is a component of hybrid (combined) agreement, which also includes non-derivative main agreement, resulting in change of some cash flows from combined instrument.

Embedded derivatives, if they are financial asset, are not disclosed separately. Such hybrid agreement is classified as financial asset at fair value through profit or loss.

Instruments, embedded into financial liabilities and non-financial main agreements, are analysed by the Bank on their separation and recognition at fair value through profit or loss, while the main agreement is recognized in such cases in accordance with respective accounting policies. The Bank can classify all hybrid agreements at fair value with revaluation through profit or loss, except for the cases, when (a) embedded derivative does not significantly change contractual cash flows or (b) separation of embedded instrument is prohibited.

Reclassification

The Bank does not reclassify financial assets after initial recognition except for cases when business model changes commencement or suspension of some activities. Financial assets are reclassified in the first day of the year after the Bank changed the business model. In the period from the date of decision to the date of reclassification, previously classified assets continue to be recognized without taking into consideration of change in business-model, but new assets are classified under the new business model. Financial assets are reclassified in prospect.

Financial liabilities cannot be reclassified.

Initial recognition of financial assets and financial liabilities

Financial instruments are initially measured at fair value, increased or decreased by direct costs directly attributable to the acquisition or issue of a financial asset or financial liability, except for financial instruments at fair value through profit or loss. If, upon initial recognition, the fair value of a financial instrument differs from the contract price, the Bank recognizes the resulting gain or loss on the first day.

The Bank recognizes the first day gain or loss immediately in operating income or expenses if the fair value is based on observable market data. When fair value is determined using a model for which no publicly available comparable data is

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available, the first day's gain or loss is deferred to future periods and recognized in profit or loss on a straight-line basis over the life of the financial instrument.

Subsequent valuation of financial assets

Financial assets at fair value through profit and loss

The Bank values debt financial assets at fair value through profit and loss for tradable instruments (profit generated in the short term), financial assets, which do not comply with requirements for classification at amortized costs or at fair value through other comprehensive income. Revaluation of instruments at amortized cost is recognized as net trade result, interest income and expense are recognized separately, not as part of fair value changes, while dividends are recognized, when the Bank established the right to receive dividends. The Bank does not assess impairment of financial assets at fair value through profit or loss.

The Bank classifies securities, capital instruments and FX swaps into this category.

Financial assets at fair value through other comprehensive income

The Bank values debt financial assets at fair value through other comprehensive income only if they comply with the purpose of business model regarding contractual cash proceeds or proceeds from sale, while cash flows undergo SPPI-test. Interest income result from FX revaluation is recognized by the Bank in profit and loss, while result of revaluation to fair.

The Bank classifies liquid debt securities under such category, as they can easily be sold to improve liquidity.

The Bank took decision on equity instruments, purchased rather as obligatory inputs to capital of stock exchanges, clearing centres, etc., then acquired for trade, to classify them at fair value through other comprehensive income. This decision is not cancellable. At derecognition of capital instruments, revaluation accumulated in other comprehensive income is never reclassified to profit or loss, it can be reclassified only between capital items. Dividends are recognized by the Bank to profit or loss only when the right for them is established.

For debt financial assets the Bank assesses expected credit risk. Expense on provisions is recognized in profit or loss, while provisions do not decrease balance value of an asset, being recognized in other comprehensive income.

Financial assets valued at amortized cost

The Bank applies recognition at amortized cost to the instruments, which underwent SPPI test and comply with the business model of cash flows of principal and interest payments. Amortized cost is calculated taking into account costs and fees directly related to issue of an instrument and included to calculation of effective interest rate (EIR). The Bank recognizes interest income, using EIR, in profit or loss, while provision decreases balance value of an asset.

The Bank classifies amounts Due from other banks, loans to customers, deposit certificates of the national Bank of Ukraine as those measured at amortized cost.

Subsequent valuation of financial liabilities

After initial recognition, the Bank classifies all financial liabilities as those recognized at amortized cost, except for:

- (a) *tradable and derivative financial liabilities* - valued at fair value through profit or loss;

financial guarantee agreements and credit commitments to customers – valued at the largest of: (i) amount of estimated provision, (ii) initially recognized amount adjusted by recognized cumulative amortization (if acceptable).

Revision of contractual cash flows. Modification

The Bank revises carrying amount of financial asset or liability when expectation of cash flows on an instrument change or at confirmation of agreement modification.

In the case of revision of expected cash flows, the gross book value or amortized cost of financial instruments are recalculated as present value of future flows discounted at initial EIR or EIRpd. Volume of revision is recognition in interest income or expense.

In case of revision of cash flows, when customer confirms agreement modification, the gross book value or amortized cost of financial instrument is recalculated as present value of modified cash flows discounted by EIR or EIRpd. The revision volume is recognized as modification income or loss. When modification of contractual conditions results in difference not less than 30% for an asset and 10% for a liability between present cash flows at new conditions and residual flows at initial conditions or change in currency of financial instrument happens, the Bank derecognizes existing financial instrument and recognizes the new one. In such a case, the date of modification is the date of initial recognition of a new instrument.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the financial asset is transferred to other party and this transfer complies with requirements for derecognition.

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The transfer of financial asset complies with requirements for derecognition, if: (1) the Bank has transferred substantially all the risks and rewards of the asset, or (2) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control over the asset.

Write off

The Bank writes off an asset (or its part), when there is no reasonable expectation that it would be collected. As a rule, in such cases the Bank recognizes that the borrower does not have assets or other sources of income, generating cash flows adequate to repay the debt to be written off.

Write-off against the debt allowance does not constitute grounds for termination of the Bank's claims against the debtor. The Bank continues to work to collect the debt on the written-off financial assets.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is redeemed: (a) when the Bank repaid all debt to creditor; (b) when the Bank is legally relieved from initial liability either through court decision or by creditor; (c) when one debt instrument is exchanged for another one, terms of which differ at least by 10% from discounted present value of initial financial liability.

Impairment of financial assets

Principles of measurement of expected credit losses

The Bank calculates expected credit losses for financial assets and respective allowances starting from the date of recognition until the date of derecognition. The amount of expected credit losses is recognized as estimated allowances depending on the level of impairment of credit quality after initial recognition.

The Bank recognizes allowances for expected credit losses for debt financial assets at amortized cost and debt financial assets at fair value through other comprehensive income.

Calculation of allowances for expected credit losses is based on evaluation of the financial situation of a borrower, debt service taking into account type and conditions of a transaction. Allowances for expected credit losses are estimated in the amount of losses which are expected to be incurred during the maturity of an asset if credit risk significantly increased after initial recognition. Otherwise, allowances for expected loss will be set in the amount of 12-month expected loss.

Expected credit losses for a 12-month period are a part of expected loss for the whole period of maturity that can arise during the 12 months after the reporting date.

As at the end of every reporting period, the Bank estimates existence of evidence of impairment of financial asset of group of financial assets taking into account losses expected as a result of future events adjusted by probability of their occurrence during the life cycle of a financial instrument taking into account dependences on forecasted dynamics of scenario macroeconomic indicators weighted by probability of occurrence.

At initial recognition of a loan and before appearance of evidence of higher credit risk, the Bank recognizes allowances equalling expected loss during a 12-month period (the first stage of impairment).

Evidence of higher credit risk (the second stage of impairment). The attributes of higher credit risk on counterparts, in particular: payment overdue from 31 days to 90 calendar days (for financial institutions – from 7 to 30 calendar days); increase of default probability (PD) by more than 20% compared to the date of their initial recognition and other (additional) factors hinting on increase of credit risk within the limits of monitoring on financial resilience of the Bank's borrowers, approved by the Bank.

Evidence of higher credit risk (the second stage of impairment). The attributes of higher credit risk on counterparts, in particular: payment overdue from 31 days to 90 calendar days (for financial institutions – from 7 to 30 calendar days); increase of default probability (PD) by more than 20% compared to the date of their initial recognition and other (additional) factors hinting on increase of credit risk within the limits of monitoring on financial resilience of the Bank's borrowers, approved by the Bank:

- borrower announces bankruptcy;
- borrower is declared bankrupt;
- bank-borrower is included into category of non-solvent banks by decision of National bank of Ukraine;
- procedure of legal entity liquidation (termination) is initiated;
- banking license is revoked;
- the Bank filed a bankruptcy case against borrower as required by law;
- amendments, other than restructuring, increasing maturity of a debt for a borrower, who is not able to redeem debt without pledge despite absence of overdue payments as of the date of evaluation, are introduced to the agreement.

The above signs of default confirm that the debtor/counterparty is unable to fully fulfil its obligations to the Bank, its parent and subsidiary institutions within the time period specified in the agreement(s) without the Bank resorting to enforcement proceedings against collateral (if any), unless the available information proves otherwise. The relevant judgments are recorded in the conclusion on the feasibility of the credit transaction in the credit application or in the credit

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expert's conclusion. When forming a judgment, the counterparty's debt burden and prospects for repaying/servicing the debt in the future are assessed, taking into account the purpose of the loan. If there are long-term objective prospects for debt settlement, such as the identification and crystallization of a stable base of suppliers and buyers, the involvement of solvent guarantors, etc., they may be given preference over current debt burden indicators during the analysis.

As to assets of individuals or issuers of securities at 2 and 3 stages of impairment, a credit quality of the financial assets improves in such a way that there is no significant increase of credit risk after initial recognition, i.e., the financial asset does not comply with the criteria of significant increase of credit risk, the Bank returns to recognition of allowance for ECL based on the losses expected within the next 12 months - stage 1.

As to assets of legal entities at 2 stage of impairment, recognition of 1 is possible if: the debtor/counterpart resumed regular payments, i.e. within at least 90 calendar days in a row (reporting dates of calculation of allowance) as of the day of introduction of Bank measures to restore its ability to service the debt (including restructuring); voluntary repayment of partial or full overdue debt by the debtor (guarantor) in subsequent reporting period, if the financial asset does not comply with the criteria of significant increase of credit risk or signs of higher credit risks are not evident.

As to assets of legal entities at stage 3 of impairment, transfer to stages 1-2 is possible only if at least 180 calendar days passed (reporting dates of calculation of allowance) as of the moment of termination of the sign that caused the Bank to recognize default, namely: the debtor/counterpart resumed regular payments, as of the day of introduction of Bank measures to restore its ability to service the debt (including restructuring); voluntary repayment of full overdue debt by the debtor (guarantor) and termination of other signs of default, there is a reasonable judgement regarding the ability to service the debt in spite of past financial difficulties.

Calculation of expected credit losses

For calculation of expected credit losses and expected cash flows the Bank took into consideration all contractual conditions of financial instrument (including options of advance payment, renewal of repayments terms, call options and other similar options), which are expected during the maturity of this financial instrument. If reliable evaluation of expected maturity on financial instrument is impossible, the Bank uses the residual maturity in accordance with contractual conditions. Besides the Bank includes cash flows from sales of foreclosed collateral or other tools of credit enhancement being an integral part of contractual terms.

The Bank does not recognize allowances for:

- financial instruments recognized at fair value through profit or loss;
- equity instruments;
- amounts due from the National Bank of Ukraine;
- revocable and risk-free loan commitments and financial guarantees to customers and banks.

The Bank sets expected credit losses as the average weighted of credit losses adjusted by respective risks of default as adjustment coefficients, reflecting:

- objective amount adjusted by probabilities;
- assessment of the range of possible results;
- time value of money;
- substantiated and reasonable information, available without extra cost or efforts as at the reporting date, on past events, current situation and predicted future economic conditions.

The Bank recognizes expected credit losses during the life of a financial instrument as expected credit losses, generated by all possible events, which may cause a default during expected life of a financial instrument.

The Bank recognizes expected credit losses during the expected maturity of a financial instrument if the Bank expects to receive contractual cash flows under the agreement later than determined by the agreement. At the same time, overdue contractual cash flows at the moment of evaluation are recognized as those to be received at the end of maturity.

For assets, measured individually, the Bank uses binary model of customer behaviour including expectations on proceeds of contractual cash flows and evidence of impairment, expectation of the Bank on sales of collateral within respective terms adjusted by liquidity coefficient.

In such a case, future cash flows are discounted for the period of life of a financial instrument.

If expected cash flows cannot be forecasted (revolving credit lines, overdrafts) or at assessment of an asset is made on collective basis, the Bank uses approach of weighting of exposure to risk by default probability (PD) and level of loss at default.

Scenario analysis: when assessing expected credit losses, the Bank considers four scenarios of default probability in accordance with forecasts of changes of macro indicators. The Standard requires to take into account scenarios of macro development of Ukraine with respective probabilities of occurrence. The expected credit losses are calculated as an amount weighted by those probabilities (for loans measures as a group) or by use of macro-adjusting factor as a special ratio standardizing index of default probability for assets, measured individually, depending on expectation of realization of the most probable macroeconomic scenario.

Assessment of collateral, foreclosure of collateral

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In accordance with credit policy and risk appetite the Bank uses collateral on assets, if relevant. The Bank uses collateral for any assets where it is expedient. Collateral may have different forms: cash (deposit, coverage), movable/immovable property, property rights and guaranties, etc.

The fair value of collateral is used for calculation of expected credit losses and is determined in accordance with regular property revaluations, in particular: immovable property, integral property complex, land lots, vehicles and equipment – not less than once per twelve months; stock in trade or processing and biological assets - not less than once per one month; other property/ property rights (except for property rights for cash) - not less than once per six months. The Bank uses the market (fair) value of collateral, determined by the appraiser or the authorized employee, who has qualification certificate of appraiser, or the value, stated in an agreement – if assets are purchased not earlier than three months before the date of collateral agreement.

The pledged property may be used by the Bank as an instrument to satisfy claims under loan agreements by way of foreclosure for subsequent sale. At the same time, assets identified as useful for use in the Bank's activities are accounted for as fixed assets or investment property, subject to compliance with the relevant criteria. Assets for which a decision is made regarding their immediate subsequent sale are transferred to the category of assets held for sale.

Loan restructuring and modification

Purchased or recognized impaired loans are assets impaired as at the moment of initial recognition. At initial recognition, financial assets are recognized at fair value and interest income from such assets is respectively recognized based on EIR adjusted by credit risk. Allowance for expected credit losses under such asset is recognized or derecognized only in the amount of decreased expected credit losses.

When calculating allowances, the purchased (created) impaired financial asset or pool of purchased assets is considered as the single financial instrument, and the model of expected cash flows is developed, and calculation of initial adjusted by credit risk efficient interest rate is made at the moment of recognition by the Bank. If volume of cash collection differs by more than 10% more or less than planned by the model, the planned cash flows should be revised. Compliance with this condition is checked by the end of the reporting year, 12 months after application of the current model. When the new model of cash flows is developed, the current carrying amount is calculated based on the initial effective interest rate.

4.2.2. Principles of fair value measurement

The fair value of financial instruments is based on their market quotations as at the reporting date without deduction for transaction costs. If market quotations are not available as at the reporting date, the fair value of an instrument is estimated by appropriate valuation models. The models may contain modelling based on net present value, comparison with similar instruments, valued on the observable market, options pricing models and other valuation methods.

When the discounted cash flow method is applied, estimated future cash flows are based on the management's best estimates using a discount rate, equal to the market rate at the reporting date for an instrument with similar terms and conditions. For pricing models, inputs are based on market values as at the reporting date.

Besides, when financial statements are prepared, fair value measurements are classified by levels depending on observable data and their materiality for the assessment:

- I Level inputs: quotations (unadjusted) on active markets for identical assets or liabilities;
- II Level inputs: observable data for an asset or liability, directly or indirectly;
- III Level inputs: non-observable data for an asset or liability.

4.2.3. Cash and cash equivalents

Cash and equivalents are the most liquid assets of the Bank with the least risk of change of value; they include cash in bank cash at correspondent accounts in National Bank of Ukraine and other banks, deposit certificates of NBU, short-term loans and deposits with repayment period of up to three months, easily convertible into cash.

Balances on corresponding accounts with restricted use and guarantee deposits on settlement and documentary transactions are included into other items of statement of financial position.

4.2.4. Loans and advances to Banks

Loans and advances to banks are term deposits and loans issued. The Bank classifies loans and advances in Accordance with respective business models, taking into account SPPI test.

Sight deposits, term deposits, overnight and overdraft loans are related to assets of Portfolio 1, which does not undergo SPPI-test and is classified to business model "an asset held to collect contractual cash flows" with valuation at amortized cost. Other assets are included into the assets of Portfolio 3 and classified to respective business model based on results of SPPI-test and individual decisions.

The Bank recognizes interest income from amounts due from other banks and the amount of differences in valuation of expected credit risk.

4.2.5 Loans and advances to customers

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Loans and advances to customers are recognized at fair value as at the date of settlement including expenses. Subsequently, loans and advances to customers are recorded at amortized or fair value, depending on business model, chosen as a result of SPPI-test, and respective decision. The Bank does not perform SPPI-test for assets if it is evident from the terms of a separate agreement or a product.

As at every reporting date, the Bank assesses expected credit losses and makes provision. Differences in expected credit losses are recognized in profit or loss.

The bank recognizes interest income in profit or loss, using EIR method, to gross book value of assets valued at stages 1 and 2, of valuation of expected credit losses and to amortized cost of assets valued at stage 3 and the POCI-assets.

The Bank recognizes changes in fair value of loans and advances to customers in profit or loss (FVTPL) and in other comprehensive income for assets accounted at FVOCI.

If the terms of loan agreements are revised or modified without derecognition of an asset, the Bank recognizes income/loss from modification. If revision/modification results of derecognition of such assets, the Bank recognizes income/loss from derecognition.

The Bank sells loans and advances to customers who materially suffered from deterioration of credit quality, to manage concentration of credit risks and to minimize losses from expected cash flows. Profit or loss from the sale of such assets are recognized by the Bank as profit or loss from the derecognition of financial instruments.

4.2.6. Investments in securities

The Bank initially recognizes investments in securities as at the date of settlement and measures them at fair value. The further valuation is based on results of SPPI-test (for debt securities) and classification of the respective business model.

The debt securities, which underwent SPPI-test, are classified by the Bank to the business model *Assets held to collect contractual cash flows*, recognized at amortized cost, or the business model *Assets held to receive contractual cash flows or to sell*, recorded at fair value through other comprehensive income, to manage liquidity of the Bank.

Debt securities, where the SPPI-test is evident from the general parameters of a contract, do not call for any additional actions.

The Bank recognizes interest income by the EIR method in profit or loss. The amount of changes of fair value is recognized in profit or loss, if investments are recognized at FVTPL, or in other comprehensive income, if investments are recognized at FVOCI. At derecognition, provision for revaluation, accumulated in other comprehensive income, is reclassified to profit or loss.

As at every reporting date, the Bank assesses expected credit risk on debt securities, recognized at AC or FVOCI. The amount of changes of expected credit risk are recognized in profit or loss.

Capital instruments are classified by the Bank at FVTPL, and if investments are made in non-tradable instruments, the Bank classifies them at FVOCI (such decision is uncancellable in future). Dividends are recognized in profit or loss when the right for dividends is established.

4.2.7. Derivative financial instruments

The Bank uses the following derivative financial instruments: forward foreign exchange contract, FX swaps to manage foreign currency risk, interest risk and other risks. Such instruments are initially recognized at fair value as at the date of transaction. A further valuation is also at fair value with recognition of revaluation result in profit or loss. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Bank does not enter into hedging transactions.

4.2.8. Investment property

Upon initial recognition, the Bank measures investment property at its cost, including transaction costs in the initial measurement. After initial recognition, investment property is measured at fair value, which reflects market conditions at the measurement date. Fair value is determined before the end of the reporting year and the preparation of the annual financial statements by independent appraisers accredited by the Bank. Gains or losses from the revaluation of investment property are recognized in profit or loss under "Gain or loss from revaluation of investment property." Depreciation and impairment of investment property are not recognized.

The Bank reclassifies property as investment property only when changes in use of property occur.

The Bank derecognizes investment property at withdrawal, or when no economic benefits are expected. The date of withdrawal of investment property is the date when the recipient gains control over property in accordance with IFRS 15 requirements.

4.2.9. Fixed and intangible assets

Following initial recognition at cost, buildings and land plots are carried at a revalued amount, representing fair value as at the revaluation date less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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The Bank believes that the revaluation model is more relevant to disclose the value of the buildings and land plots, as revalued cost of buildings, owned by the Bank, reflects their current value more accurately compared to historical value.

To determine the fair value of buildings and land plots, management engages independent professionally qualified appraisers. Revaluations of buildings and land plots are made with sufficient regularity to avoid significant differences between their book value and the value, measured as fair value as at the revaluation date.

Accumulated depreciation at the revaluation date is deducted from the full carrying amount of the asset, and the resulting amount is adjusted based on the results of the asset valuation. The increase in the value of buildings and land as a result of revaluation is recognized in other comprehensive income, except when it reverses a previous decrease in value recognized in profit or loss. A decrease in the value of buildings and land as a result of revaluation is recognized in profit or loss, except when such decrease can be offset against a previous increase in the value of the same asset recognized in the revaluation reserve for buildings and land. Upon disposal of an asset, the corresponding amount included in the revaluation reserve for buildings and land shall be transferred to retained earnings.

Other fixed and intangible assets are carried at cost less accumulated depreciation and amortization and impairment losses. The carrying amount of equipment is measured for impairment in case of events or circumstances indicating probable inability to recover carrying value of an asset. As at the end of each reporting date, the Bank assesses whether there is any indication of impairment of equipment and intangible assets. If any indications exist, the Banks measures the recoverable amount, which is determined as the higher of fair value less costs to sell and value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the profit or loss. An impairment loss, recognized for an asset in prior years, is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Costs of current repairs and maintenance are expensed when incurred. Expenditures for capital repairs and the cost of replacing major parts or components of property, plant and equipment are capitalized and further depreciated over the useful lives.

Depreciation and amortization

Depreciation and amortization are charged on a straight-line basis over the estimated useful lives of the assets. Depreciation and amortization commence as of date when the acquired assets become ready for use or, in respect of internally constructed assets, as of time when an asset is completed and ready for use.

The estimated useful lives are as follows:

Land plots	Not depreciated
Buildings	50 years
Furniture and equipment	5 years
Vehicles	5 years
Computers	3 years

Costs on capital leasehold improvements are recognized as assets and, while their depreciation is recorded in the profit or loss as “Administrative and other operating expenses” within depreciation of property, plant and equipment and amortization of intangible assets on a straight-line basis over the shorter of applicable lease or the economic life of the leasehold improvement.

Intangible assets are amortized over their useful life in accordance with the terms of the agreements concluded for their acquisition or obtaining for use but not exceeding 10 years.

4.2.10. Assets held for sale

The Bank classifies non-current assets (or a disposal group) as held for sale if it carrying amount will be recovered principally through sale rather than through continuing use. In this case, the non-current assets (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups), while the sale is highly probable.

The sale qualifies as highly probable if the Bank's management is committed to plan of sale a non-current asset (or disposal group), and an active program to locate a buyer and complete the plan is initiated. Besides, a non-current asset (or disposal group) must be actively marketed for a sale at price that is reasonable for its current fair value and in addition, while the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Bank measures assets (or disposal groups) classified as held for sale at the lower of their carrying amount and fair value less costs to sell. If the amount of costs to sell cannot be reliably estimated, it is calculated as 1% of the fair value of the asset. If events or changes in circumstances indicate that the carrying amount of assets (or disposal groups) may be impaired, the Bank recognizes the impairment loss in other impairment losses. Amortization of assets is not recognized.

4.2.11. Foreclosed collateral

Property that has become the property of the Bank as a pledgee and is held for subsequent sale, which does not meet the criteria for recognition as an asset held for sale (clause 4.2.10), a fixed asset (clause 4.2.9) or investment property (clause 4.2.8), shall be recorded at the lower of the following two values: cost or net realizable value.

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Net realizable value is the difference between the estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale. Given the normal nature of the Bank's activities in relation to the sale of such assets, the Bank accepts the fair value of such assets as their estimated selling price. If it is not possible to reliably estimate the expected selling costs, they are calculated at 1% of the fair value.

4.2.12. Lease

At the commencement of the lease, the Bank determines whether a contract or its components are a lease contract. A contract or its components are a lease contract, if it transfers the right to control use of underlying asset during a set period of time in exchange for compensation.

Bank as a lessee

The Bank uses the uniform approach to recognition and measurement of all lease contracts, except for short-term lease (less than 12 months) and lease of low-value assets (not more than UAH 150 thousand). As at the date of commencement of the lease, the Bank recognizes a right-of-use asset and lease liability.

Right-of-use assets. As at the day of commencement of lease, the Bank recognizes the right-to-use asset at cost, comprising initial value of lease liabilities, initial direct costs, advances made under lease payments, less any incentives. After initial recognition, the Bank recognizes the right-of-use asset at initial cost less accumulated depreciation and any impairment losses, taking into account any adjustments due to revaluation of lease liability. The Bank depreciates the right-of-use asset by straight-line methods during shorter of lease term or useful life of the asset. Right-of-use assets are included into *the Fixed Assets* item in the Statement of financial position.

Lease liabilities. As at the day of commencement of lease, the Bank recognizes lease liability as current value of future lease payments, discounted at the rate, calculate as average profitability rate of state public bonds for respective term in respective currency plus risk premium. Lease payments include fixed payments (including substantially fixed payments) less lease incentives to be received, variable lease payments, depending on index or rate, and amount payable under residual value guarantees. Lease payment also includes the price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Variable lease payments that do not depend on an index or a rate are recognized as expenses of the period when they originated. Subsequently, the Bank measures the lease liability increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount adjusting it by amount of revaluation or modification, if lease term is revised, lease payments are changed or assessment of options for acquisition of assets are changed. Lease liabilities are included into *Other Financial Liabilities* item in the statement of financial position.

The Statement of cash flows of the Bank discloses payments of principal under lease liability as a component of financial activities, while interest expense under lease liabilities is disclosed as a component of operating cash flows.

Bank as a lessor

Finance lease – Bank as the lessor. At the commencement date, a lessor shall recognize assets held under a finance lease in its statement of financial position and present them as receivable at an amount equal to the net investment in the lease. The Bank recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. Initial direct costs are included into initial receivables under lease payments.

The Bank discloses receivables under finance lease as a component of Loans and due from customer's item. The Bank applies a general approach to receivables under financial lease based on expected credit losses measurement.

Operating lease. Statement of financial position of the Bank discloses assets under operating lease depending on the type of assets. Income under operating lease contracts is evenly disclosed in profit or loss of Other income item. Total value of incentives to lessees is evenly disclosed as reduction of lease income during the term of lease. Initial direct costs, related to operating lease contract, are included into carrying amount of a leased asset.

4.2.13. Borrowings

The Bank attracts funds from banks, individuals and legal entities for sight and term deposits, initially recognized as at the date of settlement. These instruments are initially valued at fair value and, subsequently, at amortized cost.

The interest expense is recognized in profit or loss in Interest expense.

The Bank derecognizes borrowings at repayment, relief of liabilities to pay to creditor, or when one debt instrument is replaced by another one under different conditions. The different conditions mean a difference of not less than 10% between the current value of cash flows under new terms, discounted by initial EIR, and residual cash flows under initial financial liability.

4.2.14. Provisions

Provisions are recognized, when, as a result of certain event in the past, the Bank has legal or voluntary liabilities to be settled with possible outflow of economic resources, containing future economic benefits, which can be measured with high reliability.

4.2.15. Share capital

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Ordinary shares are recorded as share capital. The costs of services of third parties, directly attributable to the issue of new shares, are shown in equity as decrease from proceeds, gained due to the issue. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

4.2.16. Recognition of income and expense

The Bank recognizes income and expense on an accrual basis, except for fines and penalties received or paid. On once-off services (FX conversion, remittances, preparation of verification letters, etc.) the bank recognizes income and expense without accrual, if funds are received/paid in the period, when services are actually provided. In profit or loss statement, the Bank groups income by their nature.

Interest income. The Bank calculates interest income, applying EIR method to the gross book value of financial assets except for credit impaired assets. Interest income from assets impaired (stage 3) is recognized by the Bank using EIR to amortized cost of such asset, and the Bank again applies EIR to gross book value, when an asset is no longer credit impaired.

At purchase or creation of credit impaired assets (POCI-assets), the Bank calculates interest income applying EIRpd to amortized cost of such assets.

The Bank does not use EIR for financial assets on demand or instruments with unpredictable cash flows and recognizes income at contractual interest rate.

Interest expense. The Bank recognizes an interest expense applying EIR method to amortized cost of financial liability as of its initial recognition.

For financial liabilities on demand, the bank recognizes interest expense at contractual interest rate.

Commission income and expenses. Commission income and expenses (except for those that are a component of financial instruments) are received (paid) by the Bank under transactions on cash-settlement services, transactions in securities, currency market transactions, off-balance sheet transactions, etc. Commission income and expenses are recognized depending on degree of completeness of transaction by accrual method, at the moment of receipt (payment) during transaction or in the reporting period when services were actually provided (received).

Dividend income. Dividends are recognized when the right of the Bank to receive the payment is recognized.

4.2.17. Taxation

The income tax for the year comprises current and deferred taxes. The income tax is recognized in the profit or loss as Income tax expense, except when it relates to items of other comprehensive income, or to items of the statement of changes in equity; in this case it is recognized respectively in other comprehensive income or in the statement of changes in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or prevailing as at the reporting date, and any adjustment to tax payable in respect of previous years. Current income tax expense is calculated in accordance with the legislation of Ukraine.

Deferred tax is calculated using the liability method for all temporary differences between the carrying amounts of assets and liabilities in financial accounting and the amounts used for taxation purposes. Deferred tax is calculated depending on the expected way of realization or settlement of the carrying amount of assets and liabilities, using tax rates effective in the periods of possible realization of temporary differences between tax and financial accounting.

The deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and deductible temporary differences may be utilized. Deferred tax assets are reduced when use of respective tax benefit is not probable.

Ukraine also has various operating taxes applicable to the Bank activities. These taxes are disclosed in other operating expenses.

5. New standards and interpretations not effective yet

The following new standards and interpretations were issued that will be mandatory for the Bank in the reporting periods starting on or after January 1, 2025, or at a later date. The Bank did not apply standards and interpretations before their validity.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – "Non-convertibility", issued by the IASB in 2023

The changes relate to the definition of convertible (exchangeable) currency. The standard has been supplemented with a definition of convertible currency, guidelines on how to determine whether a currency is convertible, how to determine the spot rate if a currency is not convertible, and how to disclose this in financial statements. It is necessary to determine whether a currency is exchangeable for other currencies. If a currency is not convertible/exchangeable, an entity shall estimate the spot rate and disclose information that enables users of financial statements to understand how the currency that is not exchangeable for another currency affects or is expected to affect the entity's financial performance, financial position, and cash flows.

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The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The Bank is analysing the possible impact of these amendments on its financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments: Changes in Classification and Measurement, issued by the IASB in May 2024

The amendments relate to requirements for settling financial liabilities using electronic payment systems and assessing the contractual characteristics of cash flows from financial assets, including those related to environmental, social, and governance (ESG) aspects. In addition, the disclosure requirements for investments in equity instruments designated as measured at fair value through other comprehensive income have been amended, and disclosure requirements for financial instruments with contingent features that do not directly relate to the main credit risks and losses have been added.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Bank is analysing the potential impact of these amendments on its financial statements.

“Annual improvements to IFRS accounting standards”, issued by the IASB in July 2024.

The amendments relate to:

- **accounting for hedges upon first-time adoption of IFRS 1 First-time Adoption of International Financial Reporting Standards.** The amendment removes ambiguities arising from the inconsistency between the wording of paragraph B6 of IFRS 1 and the requirements for accounting for hedges in IFRS 9 Financial Instruments - entities shall not recognize in their first IFRS statement of financial position any hedging relationships that do not meet the criteria for hedge accounting in IFRS 9;
- **gain (loss) on derecognition of financial instruments.** The amendment removes the reference in paragraph B38 of *IFRS 7 Financial Instruments: Disclosures*, which was deleted when IFRS 13 Fair Value Measurement was issued;
- **disclosure of the deferred difference between fair value and transaction price.** The amendment removes the inconsistency between paragraph 28 of *IFRS 7 Financial Instruments: Disclosures* and the accompanying implementation guidance;
- **the recognition and disclosure of credit risk.** The amendments only include guidance on the implementation of *IFRS 7 Financial Instruments: Disclosures*;
- **definition of “actual agent.”** The amendment removes potential confusion arising from the inconsistency between paragraphs B73 and B74 of *IFRS 10 Consolidated Financial Statements* relating to the investor's determination of whether another party is acting on its behalf by aligning the wording in both paragraphs;
- **cost method.** The amendment removes the uncertainty in applying paragraph 37 of *IAS 7 Cash Flow Statements* arising from the use of the term “cost method,” which is not defined elsewhere in IFRS.
- **conflict between IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers regarding the initial measurement of trade receivables.** Under IFRS 15, trade receivables may be recognized at an amount different from the transaction price, for example, when the transaction price is variable. In contrast, IFRS 9 requires companies to initially measure trade receivables without a significant financing component at the transaction price.
- The IASB has amended IFRS 9 to require trade receivables without a significant financing component to be initially measured at the amount determined using IFRS 15. The amendment on trade receivables may require some companies to change their accounting policies.
- **the question of how a lessee accounts for the derecognition of a lease liability in accordance with paragraph 23 of IFRS 9 Financial Instruments. If a lease liability is derecognized, the derecognition is accounted for in accordance with IFRS 9. However, if a lease liability is modified, the modification is accounted for in accordance with IFRS 16 Leases.**
- The amendment states that if lease liabilities are derecognized in accordance with IFRS 9, the difference between the carrying amount and the compensation paid is recognized in profit or loss.
- This amendment applies only to lease liabilities extinguished at the beginning of or after the beginning of the annual reporting period in which the amendment is first applied.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Bank is analysing the potential impact of these amendments on its financial statements...

Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments: Contracts that reference electricity derived from natural resources, issued by the IASB in December 2024.

The changes are aimed at improving companies' reporting on nature-based electricity contracts, which ensure that companies source electricity from natural sources such as wind and solar energy. The amount of electricity generated under these contracts typically varies depending on uncontrollable factors such as weather conditions.

The amendments include:

- interpretation of the term “contracts for electricity derived from natural resources”;

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- clarification of IFRS 9 requirements for “own consumption” in relation to contracts referring to electricity that is dependent on natural resources;
- amendments to requirements to hedge accounting;
- new requirements to disclosure of information making it possible for investors to understand effect of these contracts on financial indicators and cash flows of the company.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Bank is analysing the potential impact of these amendments on its financial statements.

IFRS 18 “Presentation and Disclosure of Information in Financial Statements” issued by the IASB in April 2024.

IFRS 18 will replace IAS 1 Presentation of Financial Statements. The new standard does not affect the recognition and measurement of financial statement items, but it does affect the structure of the reports. IFRS 18 standardizes the presentation of financial results, eliminating the differences that previously made it difficult to compare financial results between different companies, and introduces the term “operating profit” as an important measure of operating results.

IFRS 18 defines new requirements for the presentation of information in the income statement, in particular: the distribution of income and expenses by such categories as operating, investing and financing, taking into account the presence of special types of principal activities. The new standard defines and requires entities to disclose performance measures determined by management (management performance measures), which must be reconciled to the most directly comparable interim financial results required by IFRS 18 and will be subject to mandatory audit as part of the financial statements.

The standard also establishes advanced requirements for aggregation and disaggregation of information in the main financial statements and/or notes.

The standard is effective from January 1, 2027, and is to be applied retrospectively. The Bank analyses the impact of the new standard on disclosures in its financial statements.

IFRS 19 “Non-Publicly Reported Subsidiaries: Disclosures” issued by the IASB in May 2014

IFRS 19 simplifies the reporting process for subsidiaries in the scope of IFRS 19, reducing costs and preserving the usefulness of financial statements to their users. IFRS 19 allows subsidiaries to prepare only one set of financial statements to meet the needs of both the parent company and its own users and reduces the disclosure requirements for subsidiaries. A subsidiary is eligible to apply IFRS 19 if:

- if it is not publicly reportable; and
- it has an ultimate or intermediate parent that prepares consolidated financial statements available for public use that comply with IFRS.

The standard becomes effective as of January 1, 2027.

Sustainability Standards IFRS S1 General Sustainability Disclosures and S2 Climate Change Disclosures issued by the IASB in June 2023

IFRS S1 and IFRS S2 set out the requirements for disclosures about sustainability-related financial information. They set out disclosure requirements about risks and opportunities related to sustainability and climate change that could affect an entity's cash flows, access to financing, or cost of capital.

These two standards are the first steps in realizing the International Sustainability Standards Board's (ISSB) vision of creating a global framework for sustainability reporting. They are primarily aimed at investors and provide a clear picture of the kind of reporting companies need to provide to meet the needs of global capital markets.

IFRS S1 contains a number of disclosure requirements to enable entities to communicate with investors about sustainability-related risks and opportunities in the short, medium and long term.

IFRS S2 sets out the requirements for climate-related disclosures and is intended to be used in conjunction with IFRS S1.

The standards became effective on January 1, 2024. They will be implemented in stages: in the first year, entities will be able to limit disclosures on climate risks in accordance with IFRS S2, and from the second year onwards, they will have to publish data in accordance with the requirements of IFRS S1.

Currently, Ukrainian legislation does not require the preparation and submission of a Sustainability Report, but the Bank is studying and analysing the impact on disclosure.

6. Significant accounting assumptions and estimates

The Bank applies assumptions and estimates, influencing the amounts disclosed in the financial statements, book value of assets and liabilities during subsequent financial year. Assumptions and estimates are regularly reviewed and based on previous experience of management and other factors, including effect of future events, reasonable in current situation. In addition to assumptions based on accounting estimates, the management of the Bank uses professional judgements for accounting policies applied. Professional judgements, materially influencing amounts, disclosed in financial statements,

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and estimates, which may result in significant adjustments of book values of assets and liabilities in the subsequent financial year, include:

Going concern

On February 24, 2022, the Russian Federation launched a full-scale military invasion of Ukraine, and as a result, martial law was introduced throughout Ukraine by the Decree of the President of Ukraine No. 64/2022 effective from 5:30 am on February 24. As at the date of these financial statements, martial law remains in effect, with the most active military operations taking place in Donetsk, Luhansk, Zaporizhzhia and Kherson regions. Despite the forecasts of a possible decrease in the active phase of hostilities in 2024 and reduction of security risks during 2024 and early 2025, they did not materialize. Although there was no significant escalation of events during the reporting period in the form of predicted breakthroughs of defence lines with penetrations into the deep rear of either side, the Armed Forces of Ukraine managed to restrain the enemy's plans to reach the borders of Donetsk region.

The Russian military continues to shell the entire territory of Ukraine, destroying energy and civilian infrastructure across Ukraine, including hospitals and residential complexes, logistics infrastructure, oil storage and refineries, and other industrial facilities, which provokes high risks for the population and a decrease in the country's energy security. Although there were no significant restrictions on electricity supply during the winter of 2024-2025, the resumption of targeted attacks on energy infrastructure in March 2024 forced a return to this practice and, as a result, in some regions (primarily Kharkiv, Odesa, Dnipro, Poltava, Sumy, Zaporizhzhia, and Kirovohrad regions), people and businesses had to adapt their lives and activities to power outages, lack of water and heating. Thanks to the efforts of Ukrainian power engineers, the country's infrastructure is still in working order, with all types of generation in operation.

Since the outbreak of hostilities, Russian troops have been trying to block the work of all ports in the Black and Azov Seas, which complicates export and import operations through seaports and has significantly limited the volume of foreign economic activity of Ukrainian enterprises.

In order to ensure food security in the world, with the assistance of the United Nations and Turkey, an agreement was signed in Istanbul on July 22, 2022, on the safe transportation of grain and food products from Ukrainian ports, which was initially concluded for only 120 days and extended several times, but was eventually terminated.

In August 2023, Ukraine announced the creation of a new corridor to free up ships bound for African and Asian markets and to circumvent Russia's de facto blockade after it withdrew from the deal. The Navy and the Armed Forces announced the opening of a temporary corridor that could be used by all civilian vessels, including those in Odesa ports. The use of foreign vessels for transportation, active actions of the Armed Forces of Ukraine in confronting the enemy fleet in the Black Sea, and the assistance of partners allowed the ports of Greater Odesa to resume operations to levels close to pre-war levels.

The current baseline scenario of the NBU's macroeconomic forecast is based on the assumptions that the NBU will continue to pursue prudent monetary and fiscal policies with a focus on ensuring macrofinancial stability, and that Ukraine will consistently fulfil its obligations under cooperation programs with international partners, which will continue to provide sufficient financial support. The baseline scenario assumes a significant reduction in security risks only from 2025, which will facilitate the full unblocking of seaports, expanding opportunities for investment and business activities, and the gradual return of forced migrants to Ukraine.

In the context of a full-scale military invasion, one of the Bank's main objectives remains to ensure the uninterrupted provision of a full range of banking services to its customers, and in the event of a greater escalation of hostilities and rocket attacks, the unconditional implementation of critical operations and functions of the Bank, as well as ensuring the safety of employees and their families. The Bank's business and operational processes have been adapted to the hostilities, which ensures that the Bank can carry out all key banking operations. Key management and operational personnel are fully available and ensure the manageability of the organization and the execution of all critical processes of the Bank. As at the date of these financial statements, the Bank is operating in the "High Alert" mode determined by the NBU and is ready to switch to the "Limited" or "Critical" modes, for which the system of duplication (interchangeability) for key (critical) operational staff and the system of replication of the Bank's critical IT systems to the Bank's backup data center in Uzhhorod continue to operate. The work of the Bank's governing bodies is adapted to the challenges of wartime, and the Bank's management makes decisions with sufficient regularity to respond immediately to all challenges of the current situation.

As at December 31, 2024, the operating branch network consisted of 34 separate subdivisions. During 2024, the network increased by 2 branches. In particular, the Bank opened branches in Ivano-Frankivsk and Rivne. At the same time, the Bank monitors the security situation on a daily basis and makes appropriate decisions on the range and mode of operation of branches to ensure the safety of staff and business needs.

The Bank's business and operational processes have been adapted to the military operations and massive power outages, which ensures that the Bank can carry out all key banking operations. The Bank has purchased and installed generators and Starlink satellite communication systems for its offices in Kyiv and Dnipro, as well as key branches of the Bank, which allows to ensure the continuity of the Bank's operations and key branches in the event of a power outage or inaccessibility of the main communication channels.

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The bank is a member of the Power Banking project, created at the initiative of the NBU. The project is a unified network of Ukrainian bank branches that will operate and provide necessary services to customers even during blackouts. The Power Banking network includes about 2,400 branches, which are equipped with alternative energy sources and backup communication channels, enhanced cash collection and additional staff. The Bank is represented in this network by 19 branches.

As of the date of these statements, the Bank's critical infrastructure was not affected. The Bank's main and backup equipment aimed at ensuring the Bank's operations and providing the necessary services to the Bank's customers is located in Kyiv, Uzhhorod and Dnipro and continues to operate smoothly, and communication channels are functioning without any disruptions. To ensure continuous operations and, in particular, continuous payments using the NBU EPS and SWIFT, the Bank's critical information systems are deployed in the Bank's backup data center in Uzhhorod, and the appropriate database replication is carried out.

The key tasks for 2025 are: ensuring the continuity of operations, increasing the loan portfolio by developing loan programs for individuals, small and microbusinesses, diversifying the loan portfolio of corporate clients and developing lending to the agricultural sector in new regions, developing remote sales channels in all segments, maintaining and increasing the Bank's market share in certain segments by increasing the number of active clients by expanding the range of products and services, controlling the efficiency of the Bank's operations based on existing infrastructure with minimal investments.

Security risks determine the prospects for further development of the Ukrainian economy. Intensification and prolongation of the war, higher-than-expected electricity shortages as a result of Russia's terrorist attacks may significantly limit economic activity and increase inflationary pressure. Other risks are also relevant, and their realization could also lead to a revision of key macroeconomic indicators, including: additional budgetary needs and significant quasi-fiscal deficits in the energy sector due to the unpredictable nature of the war; delayed return of a significant number of citizens to Ukraine and potential additional migration abroad, which will limit consumer demand and, in the long run, threaten to exacerbate structural problems in the labour market and reduce economic potential; irregularity in the implementation of the Instead, the rapid implementation of Ukraine's recovery plan with the corresponding inflow of official and private financing could significantly accelerate economic growth.

As of the date of these financial statements, the Bank's ability to continue as a going concern was not significantly affected; however, the military aggression of the Russian Federation against Ukraine may have a significant effect on the Bank's financial position and business results and causes significant uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern in the future. As a result of the hostilities and in the event of their further escalation, the Bank may incur losses due to difficulties in recovering assets or default on loans by companies and individuals registered in the occupied territories or territories of hostilities, or who have lost the ability to conduct their business without interruption and a stable source of income. Losses may also be caused by physical loss of assets that support critical functions and activities in the Bank's core business areas. Such losses may affect the Bank's ability to continue as a going concern.

Management of the Bank prepared these financial statements on a going concern basis. In making this judgment, Management took into account the actual results of the Bank's operations since the beginning of the military aggression; consistent actions of the Bank's Shareholder to provide financial support to the Bank; measures taken by the President, the Government, the regulator and the Bank's Management; attracting large-scale international support, etc. These factors provide a reasonable assurance of the management about the Bank's ability to continue as a going concern.

In making these assumptions, management has also considered the following factors and concluded that the going concern basis of accounting is appropriate in preparing these financial statements.

Capital. In order to bring the calculation of regulatory capital in line with European standards, the National Bank of Ukraine, by its Resolution No. 196 dated 28.12.2024 (hereinafter - Regulation No. 196), changed the procedure for calculating regulatory capital. The NBU moved from a two-tier regulatory capital structure to a three-tier structure and tightened the calculation requirements, in particular: the profit of the reporting year and profit for the interim reporting period are included only after the auditor approves the interim statements and receives the NBU's approval, deferred tax assets are added to the deduction from Tier 1 core capital, and the Bank's direct and indirect investments in its own instruments are included in the deduction from Tier 1 core capital, additional Tier 1 capital and Tier 2 capital. These changes became effective on 05.08. 2024..

During the transitional period, the Resolution of the Board of the National Bank of Ukraine No. 65 dated 07.06.2024 (hereinafter - NBU Resolution No. 65) allows banks to include in the capital of the bank profit for the first half and 9 months of 2024 without the approval of the National Bank of Ukraine to include it in the capital of the bank until the earlier of the date of approval by the National Bank of Ukraine of the inclusion of such profit or the date of adoption by the general meeting of shareholders / sole shareholder of the bank of the decision to approve the profit for 2024. Also, the NBU does not apply to banks any penalties for violations of capital, credit risk, investment, and open currency position limits related to the implementation of the requirements of Regulation No. 196 in the period from August 05 to December 31, 2024 (inclusive), provided that the banks have submitted a capitalization program/restructuring plan to the NBU within 30 calendar days from the date of the violation and ensure their implementation.

As at December 31, 2024, the Bank complied with all the NBU requirements for capital ratios calculated under the new structure, namely: the value of the regulatory capital ratio (N1) is UAH 1,508 million, Tier 1 core capital adequacy ratio

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(Tier 1) - 14.9% (with a requirement of at least 5.625%), Tier 1 capital adequacy ratio (Tier 1) - 14.9% (with a requirement of at least 7.5%), regulatory capital adequacy ratio (RCR) - 14.9% (with a requirement of at least 9.25%).

In 2023, for the first time since 2021, the National Bank of Ukraine assessed the stability of banks (due to the introduction of martial law in Ukraine on 24.02.2022, the annual assessment of the stability of banks and the banking system of Ukraine was not carried out in 2022, according to the Resolution of the Board of the National Bank of Ukraine No. 40 dated 07.03.2022). In December 2023, the Board of the National Bank of Ukraine approved its results and confirmed the Bank's sufficient capitalization level for the next three years without the need for additional capital contributions. The National Bank of Ukraine did not conduct a resilience assessment in 2024, as the previous results remained relevant.

Management believes that the current operating performance and consistent financial support from the Shareholder provide management with reasonable assurance about the Bank's ability to continue as a going concern.

Quality of the loan portfolio. When assessing the quality of credit transactions, the Bank adheres to the principle of predominance of the essence of active transactions over their form, which, in particular, provides that the Bank ensures a complete and adequate assessment of credit risk when calculating the amount of credit risk on an asset on an individual and group basis, taking into account its own experience by applying management's judgment in determining the materiality of the impact of certain factors on the quality of the asset.

In 2024, the Bank significantly increased lending to both individuals and legal entities. Due to the high level of business adaptability to the war conditions, the economy and lending are recovering. However, the key specific risks related to the reporting period continue to be the risk of deterioration in the quality of debt servicing by borrowers due to damage to assets, loss or reduction in the number of counterparties/income sources caused by active hostilities or the proximity of the borrower's location to the war zone. To mitigate these risks, the Bank uses restrictions/limitations on active operations by geography.

As at December 31, 2024, the carrying value of loans granted to borrowers operating in the territories where, as at the reporting date, active hostilities are taking place and the territories temporarily occupied by the armed forces of the Russian Federation is nil. At the same time, there are loans where the borrowers carry out business activities in close proximity to the combat zone, mainly in Donetsk and Kharkiv regions. Given the increased risk, the Bank classifies these assets as the second stage of impairment and based on the principle of prudence, does not take into account the part of the collateral in the calculation of provisions that is located in the immediate vicinity of the combat zone. In calculating expected credit losses on loans, the Bank takes into account the ability of borrowers to generate cash flows to repay/service the debt, in particular, depending on their location in relation to the occupied territories and evidence of their adaptation to the new conditions of their business. Expected cash flows from the sale of collateral located in the temporarily occupied territories of Ukraine are not used in the calculation of expected credit losses.

Management has taken into account the risk factors known and estimable at the reporting date and applied its judgment in assessing the impairment of such loans. At the same time, as a result of hostilities and in the event of their further escalation, the Bank may incur losses due to difficulties in recovering assets located in the territory of active hostilities or default on loans by companies registered in such territories or debtors who have lost the ability to conduct their business without interruption and a stable source of income. Such losses could potentially affect the Bank's ability to continue as a going concern.

Future cash flows that are calculated during the valuation of the Bank's assets and may be generated by foreclosure on collateral are calculated taking into account the Bank's existing legal options to enforce the pledgee's rights and the absence of evidence of destruction, significant damage or loss of control over the collateral by the pledgor or the absence of a significant risk of loss of collateral in the area of immediate proximity to hostilities, taking into account the quality of debt servicing by the borrower and the stage of claims work. Any potential or actual restrictions on the exercise of the pledgee's rights, which may or may not be considered temporary or permanent, are taken into account when assessing the asset, taking into account the specifics described in the above paragraph, based on the Bank's own experience. If these restrictions become permanent in the form of the Bank losing its right to collect on the collateral, they may result in an increase in expenses and affect the Bank's ability to continue as a going concern.

Liquidity. One of the main consequences of military aggression is an increase in the likelihood of a specific or market-wide liquidity crisis and, as a result, an increase in the overall level of liquidity risk, which consists in a sharp outflow of customer funds, a decrease in asset returns and an inability to repay its liabilities in due time.

As at December 31, 2024, the liquidity of the Bank and liquidity ratio are stable and high:

	31.12.2024	31.12.2023
LCR all currencies (>100%)	166%	262%
NSFR all currencies (>100%)	158%	229%

The liquidity coverage ratio for all currencies (LCR all currencies) exceeded the NBU's regulatory value by 66 p.p., and the net stable funding ratio (NSFR) by 58 p.p.

This level of liquidity is the result of systematic actions of the management to ensure diversified and stable sources of funding, creation of a significant stock of highly liquid assets to ensure continuous payments by the Bank's customers.

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At the same time, as a result of the ongoing hostilities, their possible escalation in the form of further rocket attacks and expansion of hostilities or occupation to new territories of Ukraine, new challenges may be created for the Bank to ensure stable provision of continuous operations, and for customers, as a result, it may lead to the loss of business opportunities for business entities and loss of income sources for individual depositors, which will cause customers to use accumulated liquidity reserves to make necessary expenses and subsequently decrease the level of stability of the Bank's liabilities that may, in its turn, affect the financial indicators of the Bank's operations,

However, management believes that, taking into account the measures implemented to ensure the Bank's continuity and given the consistent support of the Shareholder, there is reasonable assurance about the Bank's ability to continue as a going concern.

Losses through impairment of loans and advances to customers, investments in securities

The Bank regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Evidence of this may include observable data indicating that there has been an adverse change in the payment status of borrowers individually or collectively, or national or local economic conditions that correlate with defaults on assets in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating future cash flows.

The methodology and assumptions used for estimating both the timing and amount of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In preparing these financial statements, management used its judgment to estimate future cash flows on loans taking into account implemented asset restructurings, if any, during the reporting period. When making judgments about future cash flows, the Bank assessed the debt burden of the counterparty and the prospects for repayment/service of the debt in the future, taking into account the intended use of the loan. When estimating the timing and amount of future cash flows, the impact of military operations and large-scale rocket attacks on critical infrastructure on key macroeconomic indicators and business conditions of the Bank's debtors was taken into account. A part of the bank's assets was assigned to the second stage of impairment due to potential military risks. At the same time, in case of further escalation of hostilities and increase in the amount of damage to critical infrastructure facilities and changes in estimates of future cash flows under the implemented restructurings, including taking into account the quality of debt servicing, the estimated amount of the required provision may be increased.

Fair value of collateral is taken into account during calculation of expected credit losses for loans, measured individually, and measured in accordance with regular property revaluations by appraisers or respective Bank employee with appraiser certificate. Adequacy of collateral to be used during assessment of future losses is measured, taking into account the factors indicating the possibility for the Bank to apply the right of mortgage irrespective of stage of litigation and term of collection.

As at 31.12.2024, when calculating expected credit losses, the Bank applied a separate judgment on the compliance of the condition of the collateral with the criteria and principles of collateral acceptability, based on all available information. The Bank has implemented a set of actions aimed at correct consideration of the actual condition and value of collateral for the calculation of expected credit losses, namely: for relatively safe regions, the Bank independently checked the availability and condition of property and revalued it; for regions and locations that have been/will be most affected by the consequences of the military aggression of the Russian Federation, a mechanism for outsourcing external appraisers for periodic review and revaluation of collateral was implemented. At the same time, the monitoring process is continuous, which means that if additional information is received that may indicate an unacceptable condition of the collateral provided to the Bank, it will be excluded from the calculation as of the next reporting date after the receipt of the relevant data.

The carrying amount of assets accounted for under the 3rd stage of loan impairment as at 31 December 2024 is UAH 178,396 thousand (31 December 2023: UAH 117,716 thousand). For loans to borrowers located in the territories of Ukraine temporarily occupied by the Russian Federation after 24.02.2022 and in the area of active hostilities, the provision for expected credit losses was formed in the full amount of their gross carrying amount.

Taking into account the available reasonable and confirmed information about the current business environment, forecasts of future economic conditions and their changes during the reporting period, including a slowdown in economic growth compared to 2023 due to weak external demand and intensity of hostilities; intensification of air attacks by the Russian Federation and related electricity shortages; partial realization of risks of rhythmicity of external financial assistance; significant increase in the debt burden on the state budget during 2024. As at 31 December 2024, the Bank continues to calculate expected credit losses on this financial instrument based on the dynamics of Ukraine's external credit rating from the three leading rating agencies (Standard & Poor's, Fitch Ratings and Moody's Investors Service).

The Bank believes that accounting estimates related to allowances for ECL are major source of uncertainty of measurement, since they are extremely sensitive to changes from period to period, as assumption on future level of non-execution of liabilities and measurement of potential losses, caused by impairment of loans and funds issued, is based on the latest KPIs of the Bank, while any significant difference between ECL (disclosed as allowance) and actual losses would

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cause the Bank to form additional allowances, which, in case of significant difference, may materially affect its statement of profit and loss and other comprehensive income and statement of financial position in future periods. Scope of allowances for impairment of financial assets, disclosed in the financial statements, was measured based on current economic and political conditions, keeping in mind forecasted changes of macroeconomic indicators, stated in open sources of information, without accounting for effect of possible escalation of hostilities resulting from military aggression of Russian Federation against Ukraine. The Bank cannot predict future changes in economic and political situation in Ukraine, including those resulting from escalation of military aggression, and their impact on adequacy of allowances for ECL in future periods. Still, when measuring ECL as at the reporting date, the Bank took into account all existing information on past events that was actual as at the reporting date and formed an experience of operations of the Bank during anti-epidemic measures, implemented in 2020-2021, and 2022-2024 martial law, adjusting scope of probable losses under active transactions by effect of negative macroeconomic scenarios.

Recognition of deferred tax assets

Recognized deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred tax assets may be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Estimation of future taxable profits and the amount of deferred tax assets that are probable in the future is based on the Bank's Development Strategy, which is based on the priority business areas until 2027 and the results of its extrapolation to future periods. The Bank's Development Strategy is based on the Management's expectations, which are considered reasonable under the circumstances.

It is expected that the Bank shall generate stable income in future. Major assumptions, used in the financial model, include expected stabilization of Ukrainian economy and avoidance of stress development scenarios, moderate growth of loan portfolio and interest income, organic growth of commissions and sales income for all business lines, gradual decrease of interest rate under attracted resources and continuing expense control.

In the reporting period, the Verkhovna Rada of Ukraine repeated the retroactive introduction of the increased corporate income tax rate of 50 percent for banks in 2024, without the right to take into account the negative value of the taxable object of previous periods, by adopting Law of Ukraine dated 10 October 2024 No. 4015-IX "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine on Ensuring the Balance of Budget Revenues during the Period of Martial Law" (the "Law"), which came into force on December 1, 2024.

Deferred taxes as at the end of the reporting year are calculated at a basic rate of 25 percent, with all outstanding tax losses of previous years as at 01.01.2023 taken into account for the calculation of the deferred tax asset.

Taking into account the planned future profits and the fact that the current Ukrainian tax legislation does not currently impose any restrictions on the period of utilization of tax losses carried forward, Management believes that it is reasonable to recognize deferred income tax assets in the amount of UAH 220,850 thousand as at December 31, 2024 (Note 15).

Tax laws

Ukrainian tax and currency legislation is subject to varying interpretations. After the Law came into force, the Bank determined the income tax liability for the full year 2024 at the rate of 50 percent without taking into account in 2024 the outstanding tax losses of previous years.

According to the Law, accrual and payment of income tax liability for the previous tax (reporting) periods of 2024 (quarter, half-year and three quarters) at the basic (main) rate in force before the Law came into force is not a violation of the rules for accrual and payment of income tax liability.

Recognition of related parties' transactions

The Bank is engaged in related parties' transactions during usual business. IFRS 9 requires to recognize financial instruments at fair value at initial recognition. If there is no active market for such transactions, professional judgements should be used to determine whether the transactions were based on market or non-market rates. The basis for the judgements is pricing of this type of transactions compared to arm's length transactions and analysis of effective interest rate. Terms of related parties' transactions are described in Note 30.

Fair value of financial instruments

If the fair value of financial assets and financial liabilities, disclosed in the statement of financial position, cannot be measured based on active market prices, it is measured using different models, including mathematical ones. Input data for such models are based on observable market data, if possible; otherwise, judgements should be used to measure the fair value. Judgements are based on data on liquidity risk, credit risk and volatility. Changes of assumptions related to these factors may influence the fair value of financial instruments, disclosed in financial statements (Note 31).

Determination of the revalued value of assets held for sale and foreclosed collateral

The Bank measures assets classified as held for sale at the lower of their carrying amount and fair value less costs to sell. If it is not possible to estimate the amount of costs to sell reliably, it is calculated as 1% of the fair value of the asset.

Property repossessed by the Bank as a collateral holder and held for the purpose of further sale is carried at the lower of cost or net realizable value.

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Net realizable value is the difference between the estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale. Taking into account the ordinary nature of the Bank's activities in selling such assets, the Bank assumes their fair value as the estimated selling price of such assets. If it is not possible to reliably estimate the amount of expected costs to sell, it is calculated at 1% of the fair value.

In 2024, the Bank assessed the fair value of assets held for sale and repossessed collateral with the involvement of independent experts. Changes in the carrying amount of assets are recognized in profit or loss (Notes 12, 16).

Revaluation of buildings and investment property

Buildings occupied by the owner (the Bank), are recorded at a revalued value equal to fair value as at the date of appraisal net of accumulated depreciation and impairment loss.

Investment property is disclosed at fair value.

In 2024, the Bank carried out an appraisal of the fair value of investment property with the involvement of independent experts, based on the results of which the Management Board of the Bank decided to adjust the value of the properties where the fair value of the property differs from their carrying amount. To determine the fair value, the appraiser applied the market approach based on the analysis of comparable sales of similar buildings and structures and the income approach based on the principles of the most efficient use and expectations, according to which the value of the property is determined as the present value of expected income from the most efficient use of the property, including income from its possible resale. Changes in fair value of investment property are recognized in profit or loss (Note 11).

In 2024, the Bank evaluated the fair value of owner-occupied buildings with the involvement of independent experts. The Bank's management decided not to adjust the value of the properties, as the difference between their fair value and the residual value does not exceed 10%, which is the materiality threshold for the revaluation.

Lease

The Bank determines the lease term as non-cancellable, together with such periods for which an option to extend the lease term is provided and for which an option to terminate the lease is provided, but only if it is reasonably certain that the Bank will exercise such options.

Lease liabilities arising from lease contracts that are subject to fluctuations in foreign currency exchange rates are remeasured at each reporting date at the official exchange rate of the Ukrainian Hryvnia to foreign currencies, with the result of the remeasurement recognized in profit or loss.

Discounting of lease liabilities is based on the rate calculated each quarter using fair value of state public bonds by currencies and terms, adjusted by risk premium. If there is no profitability rate for state public bonds, adjusted for the term corresponding to lease term, discounting shall be based on current profitability rate adjusted for maximally close known term.

7. Cash and cash equivalents

	<u>2024</u>	<u>2023</u>
Cash	234 387	121 763
Correspondent accounts, deposits and overnight loans with other banks	2 049 572	2 731 999
NBU deposit certificates	4 451 642	5 301 793
Cash and cash equivalents	6 735 601	8 155 555
Allowance for expected credit losses	(2 941)	(3 232)
Total cash and cash equivalents	6 732 660	8 152 323

As at December 31, 2024, an amount equivalent to UAH 1,427,154 thousand (2023: UAH 1,431,592 thousand) was placed on correspondent accounts with banks from OECD countries, which are the Bank's main counterparties in international settlements.

The analysis of cash and cash equivalents (other than cash) by credit quality as at December 31, 2024, is as follows:

	<u>2024</u>	<u>2023</u>
AA/AA-	202 550	470 134
A+/A-	1 223 189	960 289
BBB+/BBB-	1 571	264
BB+	-	1 242
CCC+/CCC-	16 745	67 367
NBU	5 057 159	6 534 496
Cash and cash equivalents (except for cash in hand)	6 501 214	8 033 792
Allowance for expected credit losses	(2 941)	(3 232)
Total cash and cash equivalents (except for cash in hand)	6 498 273	8 030 560

The credit ratings are based on the ratings of the international rating agency Fitch, where available, or on the ratings of other international rating agencies transformed to the nearest equivalent on the Fitch rating scale.

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Changes in the gross carrying amount and expected credit losses (ECL) of cash and cash equivalents (other than cash) as at December 31, 2024:

Cash and cash equivalents (except for cash in hand)	12-months ECL	
	Gross carrying amount	Allowance
As at January 1	8 033 792	3 232
Settled or sold assets	(197 768 789)	-
Increase through issuance or acquisition	196 528 196	-
Increase (decrease) through exchange rate differences	144 601	418
Increase (decrease) through other changes	(436 586)	(709)
As at December 31	6 501 214	2 941

Changes in gross carrying amount and expected credit losses (ECL) of cash and cash equivalents (except for cash in hand) as at December 31, 2023, are presented below:

Cash and cash equivalents (except for cash in hand)	12-months ECL	
	Gross carrying amount	Allowance
As at January 1	11 521 050	12 649
Settled or sold assets	(774 151 250)	-
Increase through issuance or acquisition	772 879 000	-
Increase (decrease) through exchange rate differences	52 068	201
Increase (decrease) through other changes	(2 267 076)	(9 618)
As at December 31	8 033 792	3 232

In 2024 and 2023, there were no transfers between the stages of impairment. The amount of decrease in expenses for provision for expected credit losses in 2024 amounted to UAH 709 thousand (2023: decrease in expenses for provision amounted to UAH 9,618 thousand).

8. Due from other banks

	2024	2023
Guarantee deposits in other banks	65 718	45 011
Loans to other banks	250 397	223 769
Due from other banks	316 115	268 780
Allowance for expected credit losses	(654)	(887)
Total due from other banks	315 461	267 893

Guarantee deposits in other banks as at December 31, 2024:

	2024			
	Ukraine	OECD	Other	Total
Pay card transactions	2 945	-	-	2 945
Documentary transactions	-	43 927	18 260	62 187
Transfer-systems transactions	579	-	-	579
Transactions with securities	-	7	-	7
Total guarantee deposits in other banks	3 524	43 934	18 260	65 718

Guarantee deposits in other banks as at December 31, 2023:

	2023			
	Ukraine	OECD	Other	Total
Pay card transactions	6 885	16 883	-	23 768
Documentary transactions	-	-	17 545	17 545
Transfer-systems transactions	826	-	-	826
Transactions with securities	-	2 872	-	2 872
Total guarantee deposits in other banks	7 711	19 755	17 545	45 011

Terms of repayment of deposits, concentration of currency risks, and other risks are disclosed in Note 29.

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Analysis of cash in other banks by credit quality as at December 31, is presented below:

	2024	2023
A+/A-	312 584	258 197
AA+/AA-	7	2 872
BBB+/BBB-	2 895	7 083
CCC+/CCC-	50	-
Non-rated	579	628
Due from other banks	316 115	268 780
Allowance for expected credit losses	(654)	(887)
Total due from other banks	315 461	267 893

Credit rating is based on Fitch international rating agency, if any, or other international rating agencies, converted to the closest equivalent of Fitch rating scale.

Changes in gross carrying amount and expected credit losses (ECL) of due from other banks as at December 31, 2024:

Loans and due from banks	12-months ECL	
	Gross carrying amount	Allowance
As at January 1	268 780	887
Settled or sold assets	(21 431 528)	(4 523)
Increase through issuance or acquisition	21 407 877	4 522
Increase (decrease) through exchange rate differences	39 867	46
Increase (decrease) through other changes	31 119	(278)
As at December 31	316 115	654

Changes in gross carrying amount and expected credit losses (ECL) of due from other banks as at December 31, 2023:

Loans and due from banks	12-months ECL	
	Gross carrying amount	Allowance
As at January 1	111 237	778
Settled or sold assets	(11 010 190)	(6 021)
Increase through issuance or acquisition	11 117 537	6 142
Increase (decrease) through exchange rate differences	36 661	50
Increase (decrease) through other changes	13 535	(62)
As at December 31	268 780	887

In 2024 and 2023, there were no transfers between the stages of impairment. In 2024, the amount of decrease in provision for expected credit losses on loans and advances to banks amounted to UAH 279 thousand (2023: increase in provision for expected credit losses amounted to UAH 59 thousand).

9. Loans and advances to customers

Loans and advances to customers include:

	2024	2023
Loans to legal entities	6 877 751	4 305 078
Loans to individuals	915 393	961 009
Mortgage loans to individuals	320 556	10 767
Loans to state bodies	304 740	440 297
Financial leasing to entities	285 097	5 535
Loans to customers	8 703 537	5 722 686
Allowance for expected credit losses	(873 802)	(1 387 409)
Total loans and advances to customers	7 829 735	4 335 277

During the reporting period, the Bank derecognized a part of the impaired portfolio with a gross carrying amount of UAH 266,630 thousand (2023: UAH 123,293 thousand) by selling it, the result of which is recognized in the statement of profit or loss and other comprehensive income item Profit (loss) from derecognition of financial assets at amortized cost in the amount of UAH 16,450 thousand (2023: UAH 2,766 thousand)..

During the reporting period, the Bank recognized a gain of UAH 13,052 thousand (2023: UAH 4,754 thousand) as a result of modification of the terms of loans to legal entities and individuals, with derecognition of such loans, which is recognized in the statement of profit or loss and other comprehensive income item Profit (loss) from derecognition of financial assets at amortized cost.

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Gross carrying amount by stages of impairment as at December 31, 2024, is presented below:

	1 stage	2 stage	3 stage	Total
Loans to entities	5 974 428	365 764	537 559	6 877 751
Consumer loans to individuals	648 843	15 000	251 550	915 393
Mortgage loans to individuals	314 515	-	6 041	320 556
Loans to state bodies	304 740	-	-	304 740
Financial leasing to entities	285 097	-	-	285 097
Loans to customers	7 527 623	380 764	795 150	8 703 537
Allowance for expected credit losses	(204 517)	(52 531)	(616 754)	(873 802)
Total loans and advances to customers	7 323 106	328 233	178 396	7 829 735

The decrease in the gross carrying amount of loans accounted for in the 3rd stage of impairment is due to write-off of non-performing assets at the expense of provisions made in previous periods and assignment of claims on a part of the retail loan portfolio, as well as settlement of overdue debts for legal entities

The gross carrying amount of loans in the 2nd stage of impairment decreased due to debt settlement or the passage of sufficient time after settlement (including through restructuring) and quality servicing required to improve the stage of impairment of individual assets.

Gross carrying amount by stages of impairment as at December 31, 2023, is presented below:

	1 stage	2 stage	3 stage	Total
Loans to entities	2 999 194	496 050	809 834	4 305 078
Consumer loans to individuals	425 557	14 608	520 844	961 009
Loans to state bodies	440 297	-	-	440 297
Mortgage loans to individuals	8 644	-	2 123	10 767
Financial leasing to entities	5 157	-	378	5 535
Loans to customers	3 878 849	510 658	1 333 179	5 722 686
Allowance for expected credit losses	(118 964)	(52 982)	(1 215 463)	(1 387 409)
Total loans and advances to customers	3 759 885	457 676	117 716	4 335 277

Analysis of changes of gross carrying amount of loans and due from customers, measured at amortized cost, as at December 31, 2024, is presented below:

	12-month ECL		Lifetime ECL		Total	
	GCA	Allowance	GCA	Allowance	GCA	Allowance
As at January 1	3 878 850	118 964	1 843 836	1 268 445	5 722 686	1 387 409
Decrease by derecognition	(220 549)	(11 178)	(284 673)	(250 279)	(505 222)	(261 457)
Increase by issuance or acquisition	3 081 887	54 953	-	-	3 081 887	54 953
Decrease by write-off	-	-	(377 044)	(377 044)	(377 044)	(377 044)
Increase (decrease) by transfer to other stage	(40 042)	14 424	40 042	(14 424)	-	-
Increase (decrease) by exchange rate differences	125 860	3 797	14 079	4 047	139 939	7 844
Change of carrying amount during the period	701 618	18 793	(60 327)	(46 532)	641 291	(27 739)
Increase (decrease) for other reasons	-	4 764	-	85 072	-	89 836
As at December 31	7 527 624	204 517	1 175 913	669 285	8 703 537	873 802

The item “Increase (decrease) due to transfer between stages” reflects the gross carrying amount of loans and the amount of expected credit losses on them that were accounted for as at 31 December 2023 in Stage 1 and transferred to Stage 2 or 3 during 2024 or vice versa. Increase in the amount of expected credit losses due to revision of expected cash flows on loans, in particular, as a result of transfer to the 2nd or 3rd stage of impairment and revision of the impact of macroeconomic factors, is recognized in “Increase (decrease) due to other actions”.

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Analysis of changes of gross carrying amount of loans and due from customers, measured at amortized cost, as at December 31, 2023, is presented below:

	<i>12-month ECL</i>		<i>Lifetime ECL</i>		<i>Total</i>	
	<i>GCA</i>	<i>Allowance</i>	<i>GCA</i>	<i>Allowance</i>	<i>GCA</i>	<i>Allowance</i>
As at January 1	3 096 668	133 773	2 500 784	1 596 666	5 597 452	1 730 439
Decrease by derecognition	(241 129)	(10 808)	(451 633)	(136 248)	(692 762)	(147 056)
Increase by issuance or acquisition	1 433 348	27 546	3 790	3 408	1 437 138	30 954
Decrease by write-off	-	-	(477 519)	(477 519)	(477 519)	(477 519)
Increase (decrease) by transfer to other stage	(193 852)	(18 236)	193 852	18 236	-	-
Increase (decrease) by exchange rate differences	71 003	875	9 315	14 061	80 318	14 936
Change of carrying amount during the period	(287 188)	(17 791)	65 247	64 339	(221 941)	46 548
Increase (decrease) for other reasons	-	3 605	-	185 502	-	189 107
As at December 31	3 878 850	118 964	1 843 836	1 268 445	5 722 686	1 387 409

The Bank reviews preliminary estimates of cash flows under loans to customers in case of modifications agreed by the parties. If modification leads to derecognition, the Bank recognizes a new asset or POCI asset, while the result achieved is recognized as profit or loss from derecognition. The Bank discounts modified cash flows using an initial effective interest rate and recognizes profit or loss from modification.

Loan agreements with the term reviewed and income/loss through modification are disclosed below:

	<i>2024</i>	<i>2023</i>
Amortized cost before modification	22 056	168 090
Net modification loss	(31)	(5 685)

Changes in allowance for ECL under loans and advances to customers in 2024:

	<i>Loans to entities</i>	<i>Consumer loans to individuals</i>	<i>Financial leasing to entities</i>	<i>Mortgage loans to individuals</i>	<i>Total</i>
As at January 1	840 751	546 533	-	125	1 387 409
1 stage	81 338	37 501	-	125	118 964
2 stage	41 481	11 501	-	-	52 982
3 stage	717 932	497 531	-	-	1 215 463
Allocation to allowance	68 254	33 751	47	1 870	103 922
Adjustment of interest income under impaired loans	25 810	13 465	(8)	90	39 357
Derecognized	(31 700)	(255 986)	-	-	(287 686)
Write-off through use of allowance	(325 705)	(51 339)	-	-	(377 044)
Exchange rate differences	7 813	31	-	-	7 844
As at December 31	585 223	286 455	39	2 085	873 802
1 stage	166 376	36 017	39	2 085	204 517
2 stage	42 068	10 463	-	-	52 531
3 stage	376 779	239 975	-	-	616 754

The amount of allocations to provisions includes UAH 13,007 thousand received by the Bank during 2024 on written-off loans to legal entities (2023: UAH 10,437 thousand) and UAH 3,851 thousand on written-off loans to individuals (2023: UAH 2,783 thousand). The amount of the recovery was credited directly to the line “Recovery of / (Charge to) allowance for expected credit losses on financial instruments” in profit or loss for the period.

In the reporting period, the Bank wrote off impaired financial assets in accordance with the criteria set out in the Resolution of the Board of the National Bank of Ukraine dated 13.04.2020 No. 49 in the amount of UAH 377,044 thousand (2023: UAH 477,519 thousand), in respect of which it continues to take measures to recover the written-off debts.

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Changes in allowance for ECL under loans and advances to customers in 2023:

	Loans to entities	Consumer loans to individuals	Financial leasing to entities	Mortgage loans to individuals	Total
As at January 1	1 026 370	696 549	545	6 975	1 730 439
1 stage	75 727	57 906	-	140	133 773
2 stage	65 037	20 506	-	-	85 543
3 stage	885 606	618 137	545	6 835	1 511 123
Allocation to allowance	124 852	55 223	(557)	(73)	179 445
Adjustment of interest income under impaired loans	45 348	38 949	12	369	84 678
Derecognized	(9 021)	(135 549)	-	-	(144 570)
Write-off through use of allowance	(361 339)	(108 752)	-	(7 428)	(477 519)
Exchange rate differences	14 541	113	-	282	14 936
As at December 31	840 751	546 533	-	125	1 387 409
1 stage	81 338	37 501	-	125	118 964
2 stage	41 481	11 501	-	-	52 982
3 stage	717 932	497 531	-	-	1 215 463

As at December 31, 2024, accrued interest income on loans classified as impaired in Stage 3 amounted to UAH 180,001 thousand (2023: UAH 343,652 thousand).

The amount and type of collateral required by the Bank depends on the assessment of the counterparty's credit risk. The Bank has established principles regarding the acceptability of types of collateral and valuation parameters. The main types of collateral received for lending to legal entities and individuals are cash, pledges of real estate and other liquid assets, guarantees of individuals and legal entities, however, guarantees and property rights under contracts are not taken into account when calculating the allowance for expected credit losses.

Effect of collateral as at December 31, 2024:

	Gross carrying amount of loans	Estimated cash flows from sale of collateral
Loans to entities	6 877 751	4 108 216
Consumer loans to customers	915 393	8 740
Mortgage loans to individuals	320 556	310 327
Loans to state bodies	304 740	304 740
Financial leasing to entities	285 097	202 343
Loans and advances to customers	8 703 537	4 997 098

Effect of collateral as at December 31, 2023:

	Gross carrying amount of loans	Estimated cash flows from sale of collateral
Loans to entities	4 305 078	1 397 046
Consumer loans to customers	961 009	404
Mortgage loans to individuals	440 297	440 297
Loans to state bodies	10 767	8 559
Financial leasing to entities	5 535	581
Loans and advances to customers	5 722 686	1 846 887

During 2024, the Bank repossessed collateral for non-performing loans and receivables amounting to UAH 32,809 thousand (2023: UAH 13,176 thousand) (Notes 12, 16).

Concentration of loans and advances to customers

Loans to the five largest groups of borrowers amounted to UAH 1,619,962 thousand or 18.61% of total loans to customers as at December 31, 2024 (2023: UAH 999,096 thousand or 17.85%).

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Loan portfolio of the Bank by industries:

	<i>2024</i>	<i>2023</i>
Agriculture	2 322 383	1 833 511
Wholesale and retail trade	1 969 198	996 188
Individuals	1 235 949	971 777
Finances and insurance	873 567	261 697
Processing industry	538 100	322 961
Transportation and warehousing	465 710	184 701
State bodies	304 740	440 297
Administrative and auxiliary services	288 360	56 324
Property transactions	255 024	324 002
Mining and quarrying	198 584	263 831
Supply of electric power, gas, steam and conditioned air	102 742	130
Housing and catering	84 080	66 270
Construction	59 342	-
Information and telecommunications	3 709	997
Professional, research and technical activities	1 870	-
Wastes processing	179	-
Loans and advances to customers before ECL charges	8 703 537	5 722 686

As at December 31, 2024, and 2023, there were no loans used as collateral for any Bank liabilities.

Analysis of loans by maturity, interest rates, currencies and credit risk management policies are presented in Note 29.

10. Investments in securities

Investments in securities include:

	<i>2024</i>	<i>2023</i>
Debt securities	9 000 572	6 807 479
<i>At fair value through other comprehensive income</i>	8 900 756	6 706 824
<i>At amortized cost</i>	99 816	100 655
Equity instruments	197	308
Investments in securities	9 000 769	6 807 787
Allowance for expected credit losses	(6 203)	(4 923)
Total investment in securities	8 994 566	6 802 864

The Bank took a decision to classify equity instruments as those measured at fair value through other comprehensive income, since they are not intended for sale. These investments represent mandatory investments into equity of exchanges and clearing centres.

As at December 31, 2024, the Bank pledged to the National Bank of Ukraine under interest rate swap agreements securities with a carrying amount of UAH 226,622 thousand (December 31, 2013: UAH 212,419 thousand) and securities with a carrying amount of UAH 607,004 thousand (December 31, 2013: UAH 0 thousand) as collateral to secure a loan facility to "UKRFINZHYTLO" PrJSC under the "yeOseliya" program.

Investments in securities at fair value through other comprehensive income:

	<i>2024</i>	<i>2023</i>
Ukrainian state bonds	8 466 580	6 632 332
State bonds of other countries	434 176	74 492
Total debt securities	8 900 756	6 706 824
<i>Including accrued interest income</i>	368 111	94 919
Equity instruments	197	308
Total investments in securities at fair value through other comprehensive income	8 900 953	6 707 132

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Changes in fair value of debt securities, measured at fair value through other comprehensive income as at December 31, 2024:

	<i>FV</i>	<i>Allowance</i>
As at January 1	6 706 824	158 611
Decrease through derecognition	(9 472 602)	(156 902)
Increase through issuance or acquisition	10 152 793	215 760
Fair value revaluation	188 967	-
Increase (decrease) through FX differences	20 747	672
Change of carrying amount during the period	1 304 027	(60 687)
Increase (decrease) through other changes	-	171 999
As at December 31	8 900 756	329 453

Changes in fair value of debt securities, measured at fair value through other comprehensive income as at December 31, 2023:

	<i>FV</i>	<i>Allowance</i>
As at January 1	1 994 671	20 101
Decrease through derecognition	(5 008 216)	(44 728)
Increase through issuance or acquisition	8 779 034	97 665
Fair value revaluation	231 731	-
Increase (decrease) through FX differences	35 449	1 700
Change of carrying amount during the period	674 155	(19 319)
Increase (decrease) through other changes	-	103 192
As at December 31	6 706 824	158 611

In 2024-2023, allowance for ECL under securities at fair value through other comprehensive income were measured in of estimated 12-months losses. Increase of allowance for ECL is the result of increase of carrying amount of debt securities and changes in approaches to assessment of credit risk under state debt securities, issued in local currency (Note 29).

Investments in securities at amortized cost:

	<i>2024</i>	<i>2023</i>
Debt securities of non-financial entities	99 816	100 655
Total debt securities	99 816	100 655
<i>Including accrued interest income</i>	4 079	4 918
Allowance for ECL under investments in securities	(6 203)	(4 923)
Total investments in securities at amortized cost	93 613	95 732

Changes in gross carrying amount and ECL of debt securities at amortized cost as at December 31, 2024:

	<i>12-month ECL</i>		<i>Total</i>	
	<i>GCA</i>	<i>Allowance</i>	<i>GCA</i>	<i>Allowance</i>
As at January 1	100 655	4 923	100 655	4 923
Repaid assets	(21 958)	-	(21 958)	-
Change of carrying amount during the period	21 119	1 280	21 119	1 280
As at December 31	99 816	6 203	99 816	6 203

Changes in gross carrying amount and ECL of debt securities at amortized cost as at December 31, 2023:

	<i>12-month ECL</i>		<i>Lifetime ECL</i>		<i>Total</i>	
	<i>GCA</i>	<i>Allowance</i>	<i>GCA</i>	<i>Allowance</i>	<i>GCA</i>	<i>Allowance</i>
As at January 1	-	-	139 978	54 661	139 978	54 661
Repaid assets	(10 979)	-	(144 684)	(56 124)	(155 663)	(56 124)
Increase through issuance or acquisition	99 999	-	-	-	99 999	-
Change of carrying amount during the period	11 635	4 923	4 706	1 463	16 341	6 386
As at December 31	100 655	4 923	-	-	100 655	4 923

Increase of expense under allowance for ECL 2024 amounted to UAH 1,280 thousand (decrease in 2023 amounted to UAH 49,738 thousand).

(UAH'000 if not stated otherwise - Translation from Ukrainian original)

Changes in gross carrying amount of debt securities at fair value through profit/loss as at December 31:

	<u>2024</u>	<u>2023</u>
As at January 1	-	-
Assets settled or sold	(76 974)	(1 750 010)
Increase through issuance or acquisition	76 974	1 750 010
As at December	<u>-</u>	<u>-</u>

Analysis of securities by maturities, interest rates and currencies are presented in Note 29.

11. Investment property

Investment property is disclosed in the statement of financial position at fair value.

Changes in fair value of investment property:

	<u>2024</u>	<u>2023</u>
January 1	121 807	236 800
Disposal	(25 276)	-
Profit (loss) through adjustment of fair value	(4 868)	(81 572)
Transfer to assets held for sale	-	(44 756)
Transfer from other assets	-	11 028
Transfer from assets held for sale	4 596	307
December 31	<u>96 259</u>	<u>121 807</u>

Expenses for maintenance of investment property in 2024 amounted to UAH 886 thousand (2023: UAH 6,972 thousand).

In 2024. The Bank received rental income and reimbursement of expenses incurred for the maintenance of investment property in the amount of UAH 2,722 thousand (2023: UAH 4,138 thousand).

If a property is partially occupied by the owner and partially leased, non-complying with criteria of allocation for recognition as investment property, the Bank recognizes the object as property occupied by owner.

In 2024 and 2023, the Bank performed an independent valuation of investment property with the involvement of independent experts, based on the results of which the Management Board of the Bank decided to adjust the value of the properties where the fair value of the property differs from their carrying amount. Based on the results of the adjustment of the carrying amount, a negative result of UAH 4,868 thousand was recognized (2023: negative result of UAH 81,572 thousand), which is recognized in the statement of profit or loss and other comprehensive income.

12. Other assets

	<u>2024</u>	<u>2023</u>
Other financial assets		
Receivables under settlements with banks	39 976	36 878
Cash and cash equivalents limited in use	32 571	30 775
Balances at transit accounts for transactions with pay cards	27 040	16 247
Deferred income	10 882	13 049
Receivables under settlements with customers	165	238
Other financial assets	95	82
Other financial assets	<u>110 729</u>	<u>97 269</u>
Allowance for expected credit losses	(80 054)	(76 721)
Total other financial assets	<u>30 675</u>	<u>20 548</u>

As at December 31, 2024, the total balance on the Bank's correspondent accounts in the Russian Federation amounted to UAH 32,571 thousand, which is equivalent to USD 557.4 thousand, 51, EUR 5 thousand, RUB 17 634,4 thousand (2023: UAH 30 775 thousand or USD equivalent of 557,4 thousand, EUR 51, 5 thousand, RUB 17 634,4 thousand).

Resolution of the Government of the Russian Federation dated November 1, 2018 No. 1300 introduced a set of special economic measures in relation to individuals and legal entities, which provide for the blocking of non-cash funds, uncertificated securities and property in Russia and a ban on the transfer of funds (capital outflow) outside of Russia. Due to the fact that the Bank is subject to the relevant sanctions, one of the correspondent banks in the Russian Federation has restricted the use of funds placed on the Bank's correspondent account. The total balance of the Bank's funds on the account with such correspondent bank as at 31.12.2024 amounted to UAH 32,558 thousand, which is equivalent to USD 557.4 thousand. USD 51.5 thousand; EUR 51.5 thousand; RUB 17,601.2 thousand (2023: UAH 30,761 thousand, which is equivalent to USD 557.4 thousand). USD; EUR 51.5 thousand; RUB 17,601.2 thousand).

(UAH'000 if not stated otherwise - Translation from Ukrainian original)

Change of allowance for ECL for other financial assets:

	<u>2024</u>	<u>2023</u>
As at January 1	76 721	80 017
Accrual/(release of) allowance	501	(388)
Derecognition	(2 684)	-
Written-off through use of allowance	(331)	(3 703)
Exchange rate differences	5 847	795
As at December 31	80 054	76 721
	<u>2024</u>	<u>2023</u>
Other non-financial assets		
Foreclosed collateral	178 041	190 857
Prepaid services	44 575	33 123
Settlements with bank employees	12 399	11 192
Inventories	7 087	4 911
Taxes and levies, paid in advance, except for income tax	2 236	2 104
Bank metals	1 088	800
Other assets	245 426	242 987
Provision for impairment of other assets	(19 173)	(23 914)
Total other assets	226 253	219 073

Changes in Provision for impairment of other assets:

	<u>2024</u>	<u>2023</u>
As at January 1	23 914	23 153
Accrual/(release) of provision	(5 926)	345
Derecognition	(8)	-
Exchange rate differences	1 193	416
As at December 31	19 173	23 914

A simplified approach in accordance with IFRS 9 *Financial Instruments* is used to measure other financial assets, including receivables from customers and banks. As the simplified method is used to measure impairment of financial assets, the Bank recognizes allowance for expected credit losses during the life of the instrument at each reporting date as of the moment of its recognition.

During the reporting year, there were the following changes in foreclosed property:

	<u>2024</u>	<u>2023</u>
As at January 1	190 857	227 336
Foreclosure of mortgaged object	32 809	10 005
Transfer from category of non-current assets held for sale	981	-
Sale	(16 816)	(25 667)
Transfer to investment property	-	(11 028)
Transfer to noncurrent assets held for sale	(11 454)	(7 126)
Annulment of title	-	(1 202)
Revaluation	(18 336)	(1 461)
As at December 31	178 041	190 857

In November 2022, a warehouse used to store Bank assets was damaged by bombing and shelling by Russian troops. Based on inspection by Bank employees, owners of warehouse and representatives of the appraiser, the existence of assets was confirmed, but the degree of damage is not measurable as physical access to them is limited. When safe and free access to Bank assets is offered, they would be reappraised, and possibilities of their future use would be determined. The value of certain accessible assets was appraised by external appraisers and is disclosed in these financial statements.

Sale of foreclosed property by the Bank as the mortgage is disclosed in *Other Income* item of the statement of profit and loss and other comprehensive income (Note 26).

13. Intangible assets

Changes in intangible assets for the year ended on December 31, 2024, are presented below:

	<i>Software</i>	<i>Intangible assets in the process of implementation</i>	<i>Other intangible assets</i>	<i>Total</i>
Historical value				
January 1, 2024	100 391	2 200	2 290	104 881
Acquisition	28 977	51 853	16	80 846
Other changes	-	(29 129)	-	(29 129)
Disposal	(10 239)	-	-	(10 239)
December 31, 2024	119 129	24 924	2 306	146 359
Accumulated amortization				
January 1, 2024	44 306	-	2 015	46 321
Charged during the year	14 602	-	185	14 787
Disposal	(10 239)	-	-	(10 239)
December 31, 2024	48 669	-	2 200	50 869
Net book value:				
January 1, 2024	56 085	2 200	275	58 560
December 31, 2024	70 460	24 924	106	95 490

Changes in intangible assets for the year ended on December 31, 2023, are presented below:

	<i>Software</i>	<i>Intangible assets in the process of implementation</i>	<i>Other intangible assets</i>	<i>Total</i>
Historical value				
January 1, 2023	50 429	43 990	2 290	96 709
Acquisition	49 962	11 468	-	61 430
Other changes	-	(53 258)	-	(53 258)
December 31, 2023	100 391	2 200	2 290	104 881
Accumulated amortization				
January 1, 2023	33 132	-	1 830	34 962
Charged during the year	11 174	-	185	11 359
December 31, 2023	44 306	-	2 015	46 321
Net book value:				
January 1, 2023	17 297	43 990	460	61 747
December 31, 2023	56 085	2 200	275	58 560

As at December 31, 2024, the Bank has contractual obligations related to the acquisition of intangible assets in the amount of UAH 4,320 thousand (2023: UAH 4,242 thousand).

(UAH'000 if not stated otherwise - Translation from Ukrainian original)

14. Fixed assets

Changes in fixed assets for the year ended on December 31, 2024.:

	<i>Own land and buildings</i>	<i>Leased property</i>	<i>Machines and equipment</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Computers</i>	<i>Other fixed assets</i>	<i>Capital investments in progress</i>	<i>Total</i>
Historical / revalued value									
January 1, 2024	210 105	154 613	23 847	8 552	8 226	92 431	58 156	4 664	560 594
Acquisition	281	54 741	251 437	101 201	976	11 822	14 078	375 463	809 999
Revaluation	-	-	-	-	-	-	-	1 369	1 369
Other changes	-	-	-	-	-	-	-	(376 385)	(376 385)
Disposal	-	(19 908)	(249 626)	(94 355)	(42)	(1 950)	(556)	(74)	(366 511)
December 31, 2024	210 386	189 446	25 658	15 398	9 160	102 303	71 678	5 037	629 066
Accumulated depreciation									
January 1, 2024	-	86 726	19 705	3 996	7 463	75 977	38 955	-	232 822
Charged during the year	5191	27 387	1 455	2 247	405	9 229	14 021	-	59 935
Disposal	-	(19 908)	(319)	-	(42)	(1 950)	(535)	-	(22 754)
Other changes	-	3 852	-	-	-	-	-	-	3 852
December 31, 2024	5 191	98 057	20 841	6 243	7 826	83 256	52 441	-	273 855
Net book value									
January 1, 2024	210 105	67 887	4 142	4 556	763	16 454	19 201	4 664	327 772
December 31, 2024	205 195	91 389	4 817	9 155	1 334	19 047	19 237	5 037	355 211

Buildings are disclosed at revalued value net of accumulated depreciation.

In 2024, the Bank performed an appraisal of the fair value of owner-occupied buildings with the involvement of independent experts. The Bank's management decided not to adjust the value of the properties, as the difference between their fair value and the residual value does not exceed 10%, which is the materiality threshold for the revaluation.

Were buildings and land plots of the Bank posted at cost, their carrying amount would have been:

	<u>2024</u>	<u>2023</u>
Historical value	190 885	190 605
Accumulated depreciation	(32 936)	(29 172)
Net book value	157 949	161 433

As at December 31, 2024, the cost of fully depreciated property, plant and equipment included in the group “Computer equipment” amounted to UAH 70,860 thousand (2023: UAH 65,858 thousand), “Machinery” - UAH 17,199 thousand (2023: UAH 17,050 thousand), “Office equipment” - UAH 2,185 thousand (2023: UAH 6,476 thousand). (2023: UAH 17,050 thousand), “Office equipment” - UAH 7,185 thousand (2023: UAH 6,476 thousand), “Vehicles” - UAH 2,047 thousand (2023: UAH 1,440 thousand), “Other property, plant and equipment” - UAH 35,608 thousand (2023: UAH 30,156 thousand).

Income and loss from disposal of fixed assets are disclosed in Note 26.

As at December 31, 2024 and 2023, fixed assets were not pledged as collateral.

(UAH'000 if not stated otherwise - Translation from Ukrainian original)

Changes in fixed assets for the year ended on December 31, 2023:

	<i>Own land and buildings</i>	<i>Leased property</i>	<i>Machines and equipment</i>	<i>Vehicles</i>	<i>Office equipment</i>	<i>Computers</i>	<i>Other fixed assets</i>	<i>Capital investments in progress</i>	<i>Total</i>
Historical / revalued value									
January 1, 2023	224 410	148 799	23 740	8 680	7 956	79 767	42 933	4 635	540 920
Acquisition	424	28 648	1 797	8 203	386	13 866	16 134	41 030	110 488
Revaluation	(9 284)	-	-	-	-	-	-	-	(9 284)
Other changes	(5 445)	-	-	-	-	-	-	(41 001)	(46 446)
Disposal	-	(22 834)	(1 690)	(8 331)	(116)	(1 202)	(911)	-	(35 084)
December 31, 2023	210 105	154 613	23 847	8 552	8 226	92 431	58 156	4 664	560 594
Accumulated depreciation									
January 1, 2023	-	77 708	20 005	2 876	7 081	61 256	32 995	-	201 921
Charged during the year	5 445	22 669	1 390	1 501	498	15 898	6 853	-	54 254
Disposal	-	(22 834)	(1 690)	(381)	(116)	(1 177)	(893)	-	(27 091)
Other changes	(5 445)	9 183	-	-	-	-	-	-	3 738
December 31, 2023	-	86 726	19 705	3 996	7 463	75 977	38 955	-	232 822
Net book value									
January 1, 2023	224 410	71 091	3 735	5 804	875	18 511	9 938	4 635	338 999
December 31, 2023	210 105	67 887	4 142	4 556	763	16 454	19 201	4 664	327 772

15. Income tax

On December 1, 2024, the Law of Ukraine of October 10, 2024 No. 4015-IX “On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine on Ensuring the Balance of Budget Revenues during the Period of Martial Law” (the “Law”) came into force, which once again changed the approaches to taxation of bank profits, in particular, revised the bank profit tax rates, namely an increased basic corporate income tax rate of 50 percent was established for 2024 (including for the payment of advance dividend payments). After the Law comes into force, banks must determine their income tax liabilities for the entire year 2024 at the rate of 50 percent, and it is prohibited to include in 2024 outstanding tax losses of previous years in reducing the taxable object, with the right to do so starting from the reporting periods of 2025 until their full repayment.

According to the Law, the accrual and payment of corporate income tax liabilities for the previous tax (reporting) periods of 2024 (quarter, half-year and three quarters) at the basic (main) rate in force before the Law came into force is not a violation of the rules for accrual and payment of corporate income tax liabilities.

Theoretical tax deductions at the applicable tax rate for 2024 were calculated by the Bank at the rate of 50 percent (2023 - 50 percent). Deferred taxes as at the end of the reporting year are calculated at the rate of 25 percent, with all outstanding tax losses of previous years as at 1 January 2023 taken into account for the calculation of the deferred tax asset. In the event of future changes in the practice of applying the provisions of the Law regulating the procedure for taking into account the unliquidated tax losses of previous years to reduce the taxable profit of future reporting periods, the amount of the deferred tax asset in this part may be revised.

Components of income tax expense, recognized in profit or loss for the year ended on December 31 are:

	2024	2023
Current income tax	(170 461)	(68 269)
Changes of deferred tax	(904)	99 974
Income tax benefit (expense)	(171 365)	31 705

Comparison of estimated and factual tax expense is presented below:

	2024	2023
Income before taxes	346 357	111 107
Theoretical tax charges at the applicable statutory rate	173 179	55 554
Effect of change of tax rate	-	(97 043)
Tax differences carried forward	1 113	1 593
Taxable differences under transactions with securities	(7 198)	(3 565)
Non-deductible expense	3 344	14 311
Other changes in income tax	927	(2 555)
Income tax expense	171 365	(31 705)

(UAH'000 if not stated otherwise - Translation from Ukrainian original)

Differences between rules of taxation and IFRSs create temporary differences between the value of certain assets and liabilities, disclosed in financial statements, and their taxable base. Tax effect of changes in temporary differences was measured by the Bank, using the known income tax rate in force as of January 1, 2025.

As at December 31, 2024, deferred tax assets and liabilities relate to the following:

	<i>As at January 1, 2024</i>	<i>Recognized in profit or loss</i>	<i>Recognized in other comprehensive income</i>	<i>As at December 31, 2024</i>
Investments in securities at fair value through other comprehensive income	(49 138)	(3 599)	(70 840)	(123 577)
Fixed assets and investment property	1 990	2 043	-	4 033
Other temporary differences	968	13	-	981
Tax loss carry-forward	339 413	-	-	339 413
Net deferred tax asset / (liability)	293 233	(1 543)	(70 840)	220 850
Deferred tax asset not recognized in the statement of financial position	(639)	639	-	-
Net deferred tax asset / (liability)	292 594	(904)	(70 840)	220 850

As at December 31, 2023, deferred tax assets and liabilities relate to the following:

	<i>As at January 1, 2023</i>	<i>Recognized in profit or loss</i>	<i>Recognized in other comprehensive income</i>	<i>As at December 31, 2023</i>
Investments in securities at fair value through other comprehensive income	25 620	3 600	(78 358)	(49 138)
Fixed assets and investment property	(805)	1 254	1 541	1 990
Other temporary differences	705	263	-	968
Tax loss carry-forward	243 917	95 496	-	339 413
Net deferred tax asset / (liability)	269 437	100 613	(76 817)	293 233
Deferred tax asset not recognized in the statement of financial position	-	(639)	-	(639)
Net deferred tax asset / (liability)	269 437	99 974	(76 817)	292 594

16. Non-current assets held for sale

Non-current assets held for sale:

	<i>2024</i>	<i>2023</i>
January 1	52 913	463
Foreclosure of collateral	-	3 171
Transfer from fixed assets (Note 11)	-	44 755
Transfer from other assets	11 454	7 209
Transfer from investment property (Note 11)	(4 596)	(307)
Transfer to other assets	(981)	(83)
Sales of assets	(24 649)	(1 775)
Increase/ (decrease) of book value of assets held for sale to their fair value	(4 251)	(520)
December 31	29 890	52 913

Results of sale of non-current assets held for sale are disclosed in *Other income* item of statement of profit and loss and other comprehensive income (Note 26).

17. Due to customers

As at December 31 due to customers were:

	<u>2024</u>	<u>2023</u>
Current accounts		
- entities	13 941 946	7 874 461
- individuals	1 559 198	1 430 867
	<u>15 501 144</u>	<u>9 305 328</u>
Term deposits		
- entities	2 896 380	5 724 873
- individuals	3 382 545	3 446 337
	<u>6 278 925</u>	<u>9 171 210</u>
Total due to customers	<u>21 780 069</u>	<u>18 476 538</u>

As at December 31, 2024, balances on current accounts of legal entities in the amount of UAH 7,591,787 thousand or 48.98% of the total amount on current accounts of customers were placed by the ten largest corporate customers (2023: UAH 4,169,038 thousand or 44.8%). As at December 31, 2024, balances on current accounts of individuals amounted to UAH 161,271 thousand or 1.04% of the total amount on current accounts of customers were placed by the ten largest customers (2023: UAH 165,593 thousand or 1.78%).

As at December 31, 2024, corporate deposits in the amount of UAH 1,396,669 thousand, or 22.24% of total customer deposits (2023: UAH 2,793,306 thousand, or 30.46%) were placed by five largest corporate customers. As at December 31, 2024, deposits of individuals in the amount of UAH 410,816 thousand or 6.54% of total customer deposits were placed by two largest customers (2023: UAH 371,705 thousand or 4.05%).

As at December 31, 2024, due to legal entities and individuals in the amount of UAH 21,412 thousand (2023: UAH 22,390 thousand) were placed as collateral for documentary operations, and UAH 156,490 thousand as collateral for credit operations (2023: UAH 193,812 thousand).

Due to customers by industries:

	<u>2024</u>	<u>2023</u>
Individuals	4 940 943	4 876 184
Processing industry	4 634 572	3 206 017
Supply of power, gas, heat and conditioned air	3 629 698	1 661 860
Wholesale and retail trade; repair of vehicles and motorcycles	1 726 605	1 706 342
Finances and insurance	1 141 697	1 247 295
Health care and social assistance	1 037 516	976 751
Professional, research and technical activities	1 016 005	1 238 119
Mining and quarrying	623 220	1 069 600
Transport, warehousing, mail and courier services	622 809	483 237
Information and telecommunications	538 134	777 524
Agriculture, forestry, fishery	338 351	91 270
Construction	329 039	289 740
Transactions with property	236 969	210 865
Administrative and auxiliary services	191 675	169 373
Arts, sports, entertainment and recreation	116 930	141 016
Temporary housing and catering	24 770	19 561
Education	15 737	15 014
Water supply; sewage, waste management	12 974	72 359
Public administration and defence; compulsory social insurance	5 797	974
Other	596 628	223 437
Due to customers	<u>21 780 069</u>	<u>18 476 538</u>

Maturity, interest rate and currency analysis of customer accounts are disclosed in Note 29.

18. Other borrowed funds

On March 22, 2024, the Bank entered into a credit line agreement with PrJSC “Ukrfinzhytlo” on cooperation under the state mortgage program ‘yeOseliya’ at an interest rate of 3% per annum with maturity until March 2045. The program involves the Bank’s provision of mortgage loans using the funding received from Ukrfinzhytlo.

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The following changes in financing occurred during the reporting period:

	<u>2024</u>
January 1	-
Funding received	315 715
Funding repaid	(4 936)
Interest expense accrued (Note 23)	3 634
Accrued interest paid	(2 866)
December 31	<u>311 547</u>

As at 31.12.2024, the gross carrying amount of mortgage loans issued by the Bank under the 'yeOseliya' program amounted to UAH 299,323 thousand, for which provision for expected credit losses was made in the amount of UAH 1,848 thousand.

19. Contingencies and other commitments

The Bank sets provisions for future expenses.

	<u>2024</u>	<u>2023</u>
Provision for settlements with employees	44 740	42 920
Allowance for expected credit losses under financial guarantee contracts	3 214	3 388
Provision for court proceedings	710	484
Total provisions	<u>48 664</u>	<u>46 792</u>

Provision for settlements with employees is measured by the number of additional payments that might arise by accumulation of labour-related liabilities.

Allowance for expected credit losses under financial guarantee contracts. The Bank sets allowance for expected credit losses for loan-related liabilities payable under contract in case of debtor's default.

Contractual and contingent revocable loan-related liabilities as at December 31 are presented below:

	<u>2024</u>	<u>2023</u>
Guarantees	524 215	400 251
	<u>524 215</u>	<u>400 251</u>
Cash held as security against financial guarantees	(21 136)	(21 878)
Allowance for expected credit losses under financial guarantee contracts	(3 214)	(3 388)
Contractual and contingent liabilities	<u>499 865</u>	<u>374 985</u>

As at December 31, 2024, the Bank has an obligation to settle the letters of credit for which it does not bear any risk, as these transactions have a cash cover of UAH 276 thousand (2023: UAH 512 thousand).

As at December 31, 2024, unused credit lines provided by the Bank amounted to UAH 3,695,742 thousand (2023: UAH 2,997,769 thousand). The customers' request for credit funds from these unused limits is subject to mandatory approval by the Bank, and the Bank has the right to refuse to grant a loan in case of deterioration in the creditworthiness of a potential borrower, non-compliance with the required credit procedures or for other reasons.

The analysis by stage of impairment as at December 31, 2024, is as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Total</u>
Guarantees to corporate customers	508 405	15 810	524 215
Financial guarantees	508 405	15 810	524 215
Allowance for expected credit losses under financial guarantee contracts	(3 145)	(69)	(3 214)
Total financial guarantees	<u>505 260</u>	<u>15 741</u>	<u>521 001</u>

The analysis by stage of impairment as at December 31, 2023, is as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Total</u>
Guarantees to corporate customers	283 089	117 162	400 251
Financial guarantees	283 089	117 162	400 251
Allowance for expected credit losses under financial guarantee contracts	(2 800)	(588)	(3 388)
Total financial guarantees	<u>280 289</u>	<u>116 574</u>	<u>396 863</u>

(UAH'000 if not stated otherwise - Translation from Ukrainian original)

During the year, the following changes occurred in the allowance for ECL under financial guarantee contracts:

	<u>2024</u>	<u>2023</u>
January 1	3 388	2 699
Accrual/(release of) allowance for ECL	(179)	686
FX differences	5	3
December 31	3 214	3 388

The provision is related to legal proceedings. In the ordinary course of business, the Bank is subject to legal actions and complaints. As at December 31, 2024, the Bank is a defendant in several lawsuits for recovery of funds, which are partially provisioned:

	<u>2024</u>	<u>2023</u>
January 1	484	1 220
Creation / (decrease of) provisions	1 878	(454)
Consumption of provisions	(1 652)	(282)
December 31	710	484

Taxation and compliance with legal requirements

The Ukrainian laws and regulations regarding taxation and other operational matters continue to evolve (Note 15). Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that the Bank has complied with all regulations and accrued and paid all taxes that are applicable.

However, there is a risk that transactions and interpretations that have not been challenged by the authorities in the past may be challenged in the future.

Assets pledges and assets limited in use

As at December 31, 2024, securities with a carrying amount of UAH 833,626 thousand (December 31, 2023: UAH 212,419 thousand) were pledged by the Bank to "UKRFINZHYTLO" PrJSC under the "yeOseliya" program under the credit line with a limit of UAH 450,000 thousand (December 31, 2023: UAH 0 thousand). (31 December 2023: UAH 0 thousand) and to the National Bank of Ukraine under interest rate swap agreements for a notional amount of UAH 1,140,000 thousand (31 December 2023: UAH 1,140,000 thousand) (Note 10).

20. Other liabilities

Other financial liabilities and non-financial liabilities as at December 31 include:

	<u>2024</u>	<u>2023</u>
Other financial liabilities		
Lease-related liabilities (Note 21)	132 625	113 088
Balances at transit accounts under transactions with customers	11 457	6 263
Accrued expenses	5 212	7 148
Payables under pay card transactions	982	527
Payables under transactions with other banks	479	5 060
Other	4 778	3 416
Total other financial liabilities	155 533	135 502

	<u>2024</u>	<u>2023</u>
Other liabilities		
Deferred income	21 471	12 223
Payables for acquired assets, services received	12 074	4 376
Other taxes payable, except for income tax	11 282	9 037
Dues to Deposit Guarantee Fund	8 434	8 192
Other payables	65	33
Total other liabilities	53 326	33 861

21. Lease

Bank as a lessee

The Bank leases non-residential premises used to locate the Bank's structural departments. The lease term is 2 - 8 years. Some contracts contain lease extension option.

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The Bank has contracts with a term of not more than 12 months and contracts with low-value assets. The Bank applies simplification of practical nature regarding relief from recognition for short-term leases and leases of low-value assets.

As at December 31, 2024, the carrying amount of recognized right-of-use assets amounted to UAH 91,389 thousand (2023: UAH 67,887 thousand), changes in the carrying amount during the reporting period are disclosed in Note 14:

During the reporting period, the Bank received income from sublease of right-of-use assets in the amount of UAH 90 thousand (2023: UAH 80 thousand).

Carrying amount of lease liabilities and its changes during the reporting period is presented below:

	<u>2024</u>	<u>2023</u>
As at January 1	113 088	111 884
Recognition of liability	53 936	27 883
Accrual of interest	11 957	10 162
Interest paid under lease liability	(13 904)	(7 392)
Settlement of lease liability	(36 635)	(23 371)
Changes of estimates of cash flows	(3 918)	(9 244)
FX difference	8 101	3 166
As at December 31	132 625	113 088

Periods of payments under lease liabilities are disclosed in Note 29.

During the reporting period, the Bank incurred expenses on short-term leases in the amount of UAH 0 thousand (2023: UAH 1,203 thousand), and lease of low-value assets - UAH 2,464 thousand (2023: UAH 1,414 thousand).

Bank as a lessor

During the reporting period, the Bank received income in the amount of UAH 17,553 thousand (2023: UAH 8,855 thousand).

Minimum lease payments due within 1 year under operating lease agreements as at December 31, 2024, are UAH 10,607 thousand (2023: UAH 4,085 thousand).

As at December 31, 2024, total undiscounted lease payments under financial lease and their current value are:

	<u>Up to 1 year</u>	<u>1 – 5 years</u>	<u>Total</u>
Total undiscounted lease payments receivable	161 105	248 743	409 848
Future financial income	61 264	63 487	124 751
Current value of lease payments	99 841	185 256	285 097

As at December 31, 2023, total undiscounted lease payments under financial lease and their current value are:

	<u>Up to 1 year</u>	<u>1 – 5 years</u>	<u>Total</u>
Total undiscounted lease payments receivable	2 955	5 821	8 776
Future financial income	1 487	1 754	3 241
Current value of lease payments	1 468	4 067	5 535

22. Equity and reserves

As at December 31, 2024, the Bank's authorized and registered share capital consists of 3,586,561,499 (2023: 3,586,561,499) ordinary shares with a nominal value of UAH 1 per share. All ordinary shares are fully paid, carry equal voting, dividend and capital repayment rights.

On April 30, 2024, the Shareholder decided to transfer retained earnings in the amount of UAH 14,281 thousand to the Bank's reserve fund.

Structure of accumulated loss:

	<u>2024</u>	<u>2023</u>
Accumulated loss of previous years	(2 086 305)	(2 086 305)
Retained earnings of previous years	261 396	132 865
Result of reporting period	174 992	142 812
Total accumulated loss	(1 649 917)	(1 810 628)

In 2024 and 2023, the Bank did not declare payment of dividends before the date of approval of financial statements.

Nature and purpose of reserves

Revaluation surplus

A revaluation surplus is used to reflect an increase of fair value of buildings occupied by the owner, as well as a decrease to the extent reflecting an increase of value of the same asset, included earlier into equity.

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Securities revaluation surplus

This reserve reflects changes in the fair value of securities at fair value through other comprehensive income.

Information on changes in other comprehensive income by categories of reserves (net of taxes) is presented below:

	<i>Revaluation surplus - buildings</i>	<i>Revaluation surplus – debt financial instruments</i>	<i>Revaluation surplus – equity instruments</i>	<i>Total revaluation surplus</i>
January 1, 2023	90 303	(116 712)	(164)	(26 573)
Revaluation profit (loss)	(7 966)	336 679	-	328 713
Reclassification into profit (loss)	-	(61 754)	-	(61 754)
December 31, 2023	82 337	158 213	(164)	240 386
Revaluation profit (loss)	-	445 478	(110)	445 368
Reclassification into profit (loss)	-	(232 961)	-	(232 961)
December 31, 2024	82 337	370 730	(274)	452 793

23. Interest income and expense

	<i>2024</i>	<i>2023</i>
Interest income under financial assets at amortized cost		
Cash and cash equivalents	475 105	1 280 263
Loans and advances to customers	1 218 137	800 727
- <i>Legal entities</i>	937 579	553 807
- <i>Individuals</i>	224 790	220 246
- <i>Financial leasing to entities</i>	23 637	600
- <i>State bodies</i>	20 350	24 185
- <i>Mortgage</i>	11 781	1 889
Investments in securities	21 119	16 341
Loans and advances to banks	10 222	12 741
	1 724 583	2 110 072
Interest income under financial assets at fair value through other comprehensive income		
Investments in securities	1 304 027	674 155
	1 304 027	674 155
Total interest income	3 028 610	2 784 227
Interest expense under financial assets at amortized cost		
Due to customers	(1 662 274)	(1 648 332)
- <i>Legal entities</i>	(1 301 039)	(1 307 684)
- <i>Individuals</i>	(361 235)	(340 648)
Interest expense under lease liabilities	(11 957)	(10 162)
Other	(3 634)	-
Due to banks	-	(52 626)
	(1 677 865)	(1 711 120)
Total interest expense	(1 677 865)	(1 711 120)
Net interest income	1 350 745	1 073 107

(UAH'000 if not stated otherwise - Translation from Ukrainian original)

24. Commission income and expense

Net commission income of the year:

	2024	2023
Commission income		
Settlement transactions with customers	68 847	74 894
Pay card transactions	62 450	73 742
Foreign currency transactions	59 147	52 599
Guarantees and letters of credit	9 032	8 426
Servicing of loans	2 695	5 469
Other	2 276	1 225
	204 447	216 355
Commission expense		
Pay card transactions	(85 491)	(74 833)
Settlement transactions with customers	(55 374)	(27 242)
Commission expense under guarantees and letters of credit	(1 848)	(733)
Other	(1 127)	(931)
	(143 840)	(103 739)
Net commission income	60 607	112 616

25. Other income

	2024	2023
Operating lease income	17 553	8 855
Agent fee under financial services	10 358	16 512
Income under partnership programs	8 315	1 107
Fines and penalties received	3 541	595
Compensation of utilities under lease	1 676	1 338
Compensation of expense on debt collection	1 380	3 184
Income from modification of financial instruments	148	1 458
Other	3 082	5 198
	46 053	38 247

Income from modification of financial instruments is recognized as a result of revision of terms under loan contracts (Note 9).

26. Other gains (losses)

	2024	2023
Gain from disposal of collateral foreclosed by the Bank	2 226	10 052
Gain (loss) from provisions for litigation	(1 335)	454
Gain from disposal of assets held for sale	641	396
Gain (loss) from revaluation of fixed assets	-	222
Gain from disposal of fixed assets	237	210
Loss from disposal of fixed assets	-	(24)
Loss from disposal of collateral foreclosed by the Bank	(1 560)	(235)
Impairment of foreclosed collateral	(18 336)	(1 462)
Other gain (losses)	(18 127)	9 613

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27. Administrative and other operating expenses

	<u>2024</u>	<u>2023</u>
Professional services	45 327	24 462
Maintenance and similar expenses	35 846	27 309
Cost of maintenance of fixed and intangible assets	33 685	27 070
Due to Deposit Guarantee Fund	33 263	28 824
Communications	32 217	27 768
Taxes and other mandatory dues, except for income tax	13 890	9 875
Debt collection	12 528	11 119
Security	9 556	9 947
Marketing and promotion	8 907	5 637
Cash collection services	8 176	6 623
Customers' attraction costs	7 071	7 024
Devaluation of noncurrent assets held for sale	4 466	520
Operating lease expense	2 990	3 194
Business travel	2 892	2 904
Sponsorship and charity	2 649	1 155
Cost of modification of financial instruments	179	7 144
Other	20 993	16 042
Administrative and other operating expenses	<u>274 635</u>	<u>216 617</u>

Losses through modification of financial instruments were recognized as a result of revision of terms of loan contracts (Note 9).

28. Basic and diluted earnings per share

Basic earnings per share include:

	<u>2024</u>	<u>2023</u>
Profit of the year	174 992	142 812
Annual average number of circulating ordinary shares (thousand pcs.)	3 586 561	3 586 561
Net basic earnings per share, UAH	0,05	0,04

In 2024 and 2023, the Bank did not have any financial instruments, which might have resulted in dilution of earnings per share where they converted into shares.

29. Management of financial risks

Risks are inherent in the Bank's activities. The Bank has established an organizational structure of the risk management system that ensures a clear distribution of functions, responsibilities and powers for risk management among all subjects of the risk management system, as well as among the Bank's employees, and provides for their responsibility in accordance with such distribution. The risk management system corresponds to the size, business model, scope of activities, types, complexity of the Bank's operations and ensures identification, measurement (assessment), monitoring, reporting, control and mitigation of all material risks of the Bank in order to determine the amount of capital required by the Bank to cover all material risks inherent in its activities (internal capital), as well as to ensure prudential capital and liquidity ratios, requirements for the internal capital adequacy assessment process (ICAAP).

Risk management system is based on reasonable policy of risk-appetite assessment, introduction of risk limits, limitations and triggers within the approved range of risk appetite, as well as continuous monitoring of compliance and introduction of respective controls.

The Bank makes an integral assessment of the following significant risks: credit risk, liquidity risk, bankbook interest rate risk, market risk, operating risk, compliance risk and strategic risk. Risks are assessed based on methods aimed at determination and disclosure of probable losses, using statistical and expert models using, inter alia, probable figures based on historical experience, taking into account current position and possible changes of macroeconomic environment, using scenario approach, if required.

Risk management structure

Risk management system of the Bank is based on segregation of duties of Bank departments and three-line defence model:

1. First line – at the level of business departments of the Bank and Bank support departments, monitoring risks and being liable for them, report on current management of these risks;
2. Second line – at the level of risk director (CRO), department of risk management, head of compliance department (CCO) and compliance department;
3. Third line – at the level of head of internal audit department and internal audit department regarding review and assessment of efficiency of risk management system.

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There are bodies of risk management system of the Bank:

- Supervisory Board and its committees:
 - Risk management committee;
 - Audit committee;
 - Business committee;
 - Nomination and Remuneration Committee.

Management Board and its committees:

Level I:

- Assets and Liabilities Management Committee;
- Private individuals business committee;
- Corporate Business Committee;
- Small and Micro Business Committee;
- Operational, Compliance and Information Security Committee;
- Financial Monitoring Committee;
- Nonperforming Assets Committee;
- Committee on Strategic Development and Transformation of the Bank;

Level II:

- Small corporate business committee;
- Small committee on small and micro business;
- Authorized persons at expert lines / functions.

Internal audit department (third line of defence);

Risk director (CRO) and risk management departments (second line of defence);

Head of compliance department (CCO) and compliance department (second line of defence);

Business units and support departments (first line of defence).

Risk management functions are allocated as follows:

Supervisory Board. The Supervisory Board establishes the overall risk management strategy of the Bank, carries out the overall risk management of the Bank and has the right to establish other committees and delegate to them part of its risk management functions. The Supervisory Board of the Bank is fully responsible for establishing a comprehensive, adequate and effective system of risk management to which the Bank is exposed in its activities.

Supervisory Board committees - are permanent advisory and consultative bodies established under the Supervisory Board to ensure the continuity of management of the Bank's activities, preliminary processing and provision of conclusions and recommendations to the Supervisory Board and the Management Board on certain issues of the Bank's activities within the competence of the respective Committee. The Committees of the Supervisory Board are also authorized to monitor the functioning of the internal control system, monitor the implementation of management decisions, evaluate the performance of collegial bodies, structural units of the Bank and responsible persons of the Bank, control activities in certain areas and other issues within the competence of the Committees.

Management Board. The Management Board of the Bank provides for the fulfilment of tasks, decisions of the Supervisory Board of the Bank on the implementation of the risk management system, including the Risk Management Strategy and Policies, risk management culture, procedures, methods and other measures of effective risk management.

Committees. In the process of performing the risk control and management function, the Management Board (the first line of defence) delegates some of its functions, powers and direct risk management to specialized collegial bodies:

- Assets and Liabilities Management Committee (ALMC) - managing the Bank's asset and liability operations and risks arising from such operations (liquidity risk, interest rate risk of the banking book and market risks), as well as implementing the principle of collegiality in decision-making on regulation of limits and thresholds of banking products, operations necessary for the successful implementation of the Bank's budget;
- The Retail Banking Committee (RBC) is a committee of the Bank established to effectively manage the business with individuals and related risks;
- Corporate Business Committee (CBC), Small Corporate Business Committee (SCBC) and Small and Micro Business Committee (SMBC), Small and Micro Business Committee (SMMC) are the Bank's committees established to effectively manage business with legal entities and related risks;
- The Operational, Compliance and Information Security Committee (OCIRC) is a committee of the Bank established to manage operational and compliance risks and information security issues;
- The Non-performing Assets Committee (NAC) is a committee of the Bank established by the Management Board to manage, organize and control the work with the Bank's non-performing assets;
- The Bank's Strategic Development and Transformation Committee (SDTC) is a committee of the Bank established to manage the Bank's projects and transformation, which determines the Bank's strategy in terms of its transformation, in the areas of process optimization and digital changes, as well as ensuring business continuity;

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- Financial Monitoring Committee (FMC) - a standing committee of the Bank on financial monitoring, including the prevention of legalization (laundering) of proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction.

Business departments. Business departments are the first line of defence and are responsible for managing and monitoring risks and compliance with established limits at their level. This level also ensures the collection of complete, reliable and timely information in the risk assessment and risk reporting system.

Second line of defence. The Supervisory Board of the Bank has established permanent risk management units: Risk Management Department, Corporate Credit Analysis Department, Retail Credit Analysis Department, Collateral Valuation and Monitoring Department and Compliance Department and ensures the independence of these departments.

Risk Management Department, Corporate Business Credit Analysis Department, Retail Business Credit Analysis Department, Collateral Evaluation and Monitoring Department. Risk management departments are subordinated to the Chief Risk Officer, who has the right to attend meetings of the Bank's Management Board, specialized committees established by the Management Board and to impose a ban (veto) on decisions of these bodies if the implementation of such decisions will lead to a violation of the established risk appetite and/or approved risk limits, and immediately informs the Bank's Supervisory Board and/or Risk Management Committee of such decisions.

Compliance department. The Chief Compliance Officer (CCO) is responsible for the activities of the unit, has the right to attend meetings of the Bank's Management Board, specialized committees established by the Bank's Management Board, and to impose a ban (veto) on decisions of these bodies if the implementation of such decisions will lead to violation of the requirements of the law, relevant standards of professional associations applicable to the Bank, conflict of interest, and informs the Bank's Supervisory Board and/or Risk Management Committee of such decisions within the time limits established by the Bank's internal documents.

Internal audit The Internal Audit Department periodically audits the Bank's risk management processes, reviewing both the adequacy of the procedures and the Bank's implementation of these procedures.

Credit risk

Credit risk is the risk of financial loss for the Bank resulting from non-compliance of a borrower or a counterpart with contractual obligations. The Bank manages credit risk by setting threshold limit for the risk that the Bank is ready to accept for a counterpart or a group of counterparts, facing common economic risk, while monitoring compliance with pre-set risk indicators.

Contractual obligations related to credit related commitments (irrevocable unused credit line commitments, letters of credit and guarantees) expose the Bank to risks similar in nature to those associated with loans and are mitigated by the same risk control procedures and policies.

The carrying amount of the statement of financial position items, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, represents the maximum exposure to credit risk for those items.

For financial instruments carried at fair value, the carrying amount reflects the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value.

Credit quality of financial assets

The Bank manages the credit quality of its financial assets through an internal system of control over the level of risks inherent in both individual debtors/counterparties and individual portfolios of assets. This system provides for focused management of existing risks and allows for comparison of credit risk exposure across different types of activities, geographical regions and products. The system is based on a number of financial and analytical methods, as well as processed market data, which is the main source of information for assessing the risk of debtors/counterparties.

Management estimates expected credit losses on loans to customers by assessing the likelihood of repayment and recovery of advances based on an analysis of individual borrowers for individually significant loans and collectively for loans with similar terms and risk characteristics. Factors taken into account when evaluating individual loans include repayment history, current financial position of the borrower, timeliness of repayments and collateral, timing of future interest payments, the state of the borrower's economic sector, etc. To estimate the amount of expected credit losses, Management estimates the amounts and timing of future principal and interest payments, as well as proceeds from the sale of collateral in accordance with the principles disclosed in Note 4, sub-paragraphs 4.2.1.

The Bank is sensitive to credit risk due to the presence of debt accounted for at the 2nd and 3rd stages of impairment as a result of events caused by the full-scale attack of the Russian Federation on the territory of independent Ukraine (the main increase in debt of these categories occurred during 2022), possible deterioration in the quality of debt servicing by borrowers due to the risks of damage to assets, loss or reduction in the number of counterparties/income sources caused by active hostilities. As at 31 December 2024, the gross carrying amount of assets in the 3rd stage of impairment is UAH 795,150 thousand (2023: UAH 1,333,179 thousand). The carrying amount of assets at the 3rd stage of impairment is UAH 178,396 thousand (2023: UAH 117,716 thousand). The sensitivity to credit risk from loans at the 3rd stage of impairment

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and POCI of assets is also caused by the value of collateral securing this type of assets - the Bank is sensitive to changes in the fair value of this property and the Bank's ability to ensure the foreclosure of this property.

In 2024, there was a decrease in the gross carrying amount of assets accounted for in the 2nd stage of impairment in the amount of UAH 129,894 thousand to UAH 380,764 thousand as at 31 December 2024 (2023: UAH 510,658 thousand) due to the settlement of debts or the passage of sufficient time after settlement (including through restructuring) and quality servicing necessary to improve the stage of impairment on individual assets. Debt that continues to be accounted for at the 2nd stage of impairment is recognized as having signs of impairment mainly due to the need to take into account macroeconomic risks and the results of debt restructurings. When performing the restructurings, management used judgment in estimating future cash flows, taking into account the assessment of the debt burden of counterparties and the prospects for future debt repayment/servicing as a result of successful adaptation of the borrowers' businesses and sources of income to the new business environment. In case of changes in estimates of future cash flows under implemented restructurings, including taking into account the quality of debt servicing, the estimated carrying value of such assets may be decreased.

The amount of ECL at the 1st stage of impairment depends on the probability of default, which is calculated taking into account both the current financial position of the borrowers, the quality of debt service, and the impact of macro factors, the correlation of which with the probability of default is confirmed by the models used by the Bank. At the same time, the sensitivity of the credit risk of the legal entities portfolio to changes in macro factors and internal ratings is moderate both due to the availability of objective evidence of adaptation of such borrowers to the current business environment and collateral requirements set out in the Bank's credit policy. At the same time, the loan portfolio of individuals, which is assessed on a collective basis, is more sensitive to changes in the external environment and corresponding changes in the probability of default used in the process of determining the amortized cost of these assets due to the blank nature of loans (in the process of determining the provision for this category of loans, the Bank updated statistical information to update the probability of default indicators taking into account the current risk profile of borrowers, and also adjusted the

Taking into account the available reasonable and confirmed information about the current business environment, forecasts of future economic conditions and their changes during the reporting period, including a slowdown in economic growth compared to 2023 due to weak external demand and intensity of hostilities; intensification of air attacks by the Russian Federation and related electricity shortages; partial realization of risks of rhythmicity of external financial assistance; significant increase in the debt burden on the state budget during 2 As at 31 December 2024, the Bank continues to calculate expected credit losses on this financial instrument based on the dynamics of Ukraine's external credit rating from the three leading rating agencies (Standard & Poor's, Fitch Ratings and Moody's Investors Service).

Financial assets of the Bank as per external and internal credit ratings as at December 31, 2024:

	<i>Cash and cash equivalents (except for cash in hand)</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Investments in securities</i>	<i>Other financial assets</i>
Internal credit rating					
Minimal credit risk	5 057 159	50	3 741 595	197	27 040
Low credit risk	15 727	3 258	3 306 955	93 613	3 096
Moderate credit risk	-	-	323 616	-	243
High credit risk	-	-	4 617	-	9
Defaulted assets	-	-	178 395	-	-
	5 072 886	3 308	7 555 178	93 810	30 388
External credit rating					
Minimal credit risk	-	-	-	434 176	-
Low credit risk	1 425 387	312 153	274 557	8 466 580	287
Defaulted assets	1 425 387	312 153	274 557	8 900 756	287
Financial assets	6 498 273	315 461	7 829 735	8 994 566	30675

Grouping of financial assets by existence of internal or external rating, if any, is based on credit rating at international scale of such agencies as Standard & Poor's, Fitch Ratings and Moody's Investors Service. If a debtor has a respective international rating, it is included in an externally rated group.

Distribution of assets by conditional rating within the above groups is used to disclose information on credit quality of financial assets portfolio depending on indicators of their impairment and scope of formed ECL allowance. Assets with minimal credit risk include assets at 1st stage of impairment with estimates ECL allowance of zero value. Assets with low credit risk include assets at the 1st stage of impairment, which were not included in the category of assets with minimal credit risk. Assets with medium credit risk include assets at the 2nd stage of impairment when ECL allowance reaches up to 50% of their carrying amount. All other assets at the 2nd stage of impairment are included into high-risk category.

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Financial assets of the Bank as per external and internal credit ratings as at December 31, 2023.:

	<i>Cash and cash equivalents (except for cash in hand)</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Investments in securities</i>	<i>Other financial assets</i>
Internal credit rating					
Minimal credit risk	6 534 496	-	1 825 315	308	16 247
Low credit risk	66 055	7 189	1 687 940	95 732	3 094
Moderate credit risk	-	-	454 569	-	4
High credit risk	-	-	3 107	-	24
Defaulted assets	-	-	117 716	-	-
	6 600 551	7 189	4 088 647	96 040	19 369
External credit rating					
Minimal credit risk	-	-	-	-	-
Low credit risk	-	-	-	74 492	1 179
Defaulted assets	1 430 009	260 704	246 630	6 632 332	-
	1 430 009	260 704	246 630	6 706 824	1 179
Financial assets	8 030 560	267 893	4 335 277	6 802 864	20 548

Analysis of financial liabilities under guarantees by credit quality as at

	<i>2024</i>	<i>2023</i>
Internal credit rating		
Minimal credit risk	59 328	38 772
Low credit risk	159 833	116 218
	219 161	154 990
External credit rating		
Minimal credit risk	289 244	128 099
Low credit risk	15 810	117 162
	305 054	245 261
Financial assets	524 215	400 251

Geographical concentration of financial assets and liabilities of the Bank as at December 31, 2024:

	<i>Ukraine</i>	<i>OECD</i>	<i>CIS and Baltic states</i>	<i>Other countries</i>	<i>Total</i>
Assets					
Cash and equivalents	5 307 273	1 425 232	-	155	6 732 660
Due from other banks	3 308	293 919	-	18 234	315 461
Loans and advances to customers	7 555 178	274 557	-	-	7 829 735
Investment securities	8 560 390	434 176	-	-	8 994 566
Derivatives	75 262	-	-	-	75 262
Other financial assets	30 619	49	-	7	30 675
Total financial assets	21 532 030	2 427 933	-	18 396	23 978 359
Liabilities					
Due to banks	-	-	80	-	80
Due to customers	21 174 087	455 761	10 986	139 235	21 780 069
Other borrowings	311 547	-	-	-	311 547
Other financial liabilities	155 105	426	-	2	155 533
Total financial liabilities	21 640 739	456 187	11 066	139 237	22 247 229
Net geographical concentration	(108 709)	1 971 746	(11 066)	(120 841)	1 731 130

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Geographical concentration of financial assets and liabilities of the Bank as at December 31, 2023:

	<i>Ukraine</i>	<i>OECD</i>	<i>CIS and Baltic states</i>	<i>Other countries</i>	<i>Total</i>
Assets					
Cash and equivalents	6 722 314	1 429 673	-	336	8 152 323
Due from other banks	7 189	243 184	-	17 520	267 893
Loans and advances to customers	4 088 647	246 630	-	-	4 335 277
Investment securities	6 728 372	74 492	-	-	6 802 864
Derivatives	244 320	-	-	-	244 320
Other financial assets	20 544	2	-	2	20 548
Total financial assets	17 811 386	1 993 981	-	17 858	19 823 225
Liabilities					
Due to banks	40 046	-	73	-	40 119
Due to customers	18 249 225	41 543	10 158	175 612	18 476 538
Other financial liabilities	135 124	376	-	2	135 502
Total financial liabilities	18 424 395	41 919	10 231	175 614	18 652 159
Net geographical concentration	(613 009)	1 952 062	(10 231)	(157 756)	1 171 066

Market risk

Market risk is related to unfavourable FX-rate changes, interest rate changes and the value of financial instruments. Market risks include default risk, bankbook interest rate risk, credit spread risk, stock exchange, currency, commodities and volatility risks.

Purpose of market risk management is management and control of the risk within the range of pre-set parameters, set by Risk Appetite Statement, the priority being maximal safekeeping of assets and capital based on decrease (prevention) of possible losses and shortage of profits under investments into financial instruments, including investments in currencies and precious metals.

The Bank uses the following instruments to assess and manage market risks:

- For default risk – assessment of credit for active banking transactions;
- For trade book interest rate risk and credit spread risk – method of modified duration;
- For volatility, stock exchange, currency and commodities risks – method of value at risk (VaR);
- Stress testing of market risks.

Transactions with new instruments in the trade book can be performed only after approval of respective limits of risk appetite by the Supervisory Board of the Bank. Besides, there is a limit for maximal possible decrease of fair value of portfolio of state bonds (measured at fair value through profit/loss or other comprehensive income) if the profitability increases by 1%.

After restrictions in 2022 imposed by the National Bank of Ukraine to minimize the money market crisis caused by Russia's large-scale invasion, the market revived in 2023-2024. This process was facilitated by the active issuance of benchmark government bonds, gradual reduction of key policy rates by the National Bank of Ukraine during 2023 and until December 2024. As a result, as at 31.12.2024, the accumulated amount of positive revaluation of the portfolio of government bonds at fair value through other comprehensive income amounted to UAH 171,178 thousand (as at 31.12.2023: UAH 46,797 thousand). Taking into account the positive revaluation, moderate liquidity risk caused, in particular, by a sufficient stock of highly liquid assets, as well as a relatively even distribution of securities by maturity, the Bank does not need to sell the formed portfolio of government bonds in the short term, which could negatively affect the financial result of the institution.

The Bank assesses default risk, interest rate risk of bankbook, risk of credit spread and stock exchange risk solely for the instrument included into trade book of the Bank.

When measuring market risks, the Bank uses clear, complete and documented assumptions corresponding to the Business plan of the Bank, historical market statistics and internal statistics of the Bank.

Currency risk as a component of market risk

Currency risk is the risk arising from unfavourable fluctuations in foreign exchange rates affecting the value/pricing of instruments held in the Bank's trading and banking books. This risk is inherent in the Bank due to the mismatch of the Bank's assets and liabilities denominated in the same currency, which arises both from opening a position to generate trading income (trading position) and from other transactions not related to currency trading (interest accrual, provisioning, etc.).

The Bank's assets and liabilities are denominated in several foreign currencies. The Bank's management sets limits and continuously monitors currency positions in accordance with the NBU regulations and approved internal methodology. The Bank has implemented a system of currency position limits (overall and by currencies/transaction types) based on

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both the maximum values set by the NBU and its own approaches to limiting this risk. Compliance with these limits is monitored on a daily basis.

Policies regarding open currency positions are limited by certain maximal range, set in accordance with Ukrainian law, and NBU closely monitors them every day.

Given that the National Bank of Ukraine switched to a managed exchange rate flexibility regime in the fourth quarter of 2023, the year 2024 saw positive conditions for additional opportunities to generate trading income.

Currency position of the Bank under monetary assets and liabilities as at December 31, 2023:

	<i>UAH</i>	<i>USD</i>	<i>EUR</i>	<i>Other</i>	<i>Total</i>
Assets					
Cash and cash equivalents	5 212 138	1 350 509	162 011	8 002	6 732 660
Due from other banks	616	2 694	312 151	-	315 461
Loans and advances to customers	5 717 633	2 005 551	106 551	-	7 829 735
Investment in securities	8 430 851	143 507	420 208	-	8 994 566
Derivatives	75 262	-	-	-	75 262
Other financial assets	28 693	1 824	158	-	30 675
Total financial assets	19 465 193	3 504 085	1 001 079	8 002	23 978 359
Liabilities					
Due to other banks	-	68	12	-	80
Due to customers	17 312 118	3 472 234	991 919	3 798	21 780 069
Other borrowings	311 547	-	-	-	311 547
Other financial liabilities	149 715	3 601	1 347	870	155 533
Total monetary liabilities	17 773 380	3 475 903	993 278	4 668	22 247 229
Net long / (short) currency position	1 691 813	28 182	7 801	3 334	1 731 130
Off-balance position	-	50	-	-	50
Net long / (short) position	1 691 813	28 232	7 801	3 334	1 731 180

Currency position of the Bank under monetary assets and liabilities as at December 31, 2023:

	<i>UAH</i>	<i>USD</i>	<i>EUR</i>	<i>Other</i>	<i>Total</i>
Assets					
Cash and cash equivalents	6 686 993	1 308 866	145 963	10 501	8 152 323
Due from other banks	786	9 230	257 877	-	267 893
Loans and advances to customers	2 933 810	1 222 867	178 600	-	4 335 277
Investment in securities	6 012 641	666 062	124 161	-	6 802 864
Derivatives	244 320	-	-	-	244 320
Other financial assets	20 548	-	-	-	20 548
Total financial assets	15 899 098	3 207 025	706 601	10 501	19 823 225
Liabilities					
Due to other banks	40 046	61	12	-	40 119
Due to customers	14 636 662	3 137 939	697 600	4 337	18 476 538
Other financial liabilities	125 972	2 600	6 132	798	135 502
Total monetary liabilities	14 802 680	3 140 600	703 744	5 135	18 652 159
Net long / (short) currency position	1 096 418	66 425	2 857	5 366	1 171 066
Off-balance position	-	6 959	4 221	(11 227)	(47)
Net long / (short) position	1 096 418	73 384	7 078	(5 861)	1 171 019

As at December 31, the 10% devaluation of UAH in respect of foreign currencies would increase (decrease) income before taxes and equity by the amount below. This analysis foresees that all other variables, e.g., interest rate, will be stable:

	<i>2024</i>	<i>2023</i>
USD	2 823	7 338
EUR	780	708

As at December 31, 10% revaluation of UAH in respect of the above currencies would have an entirely adverse effect on income before taxes and equity with all other variables being stable.

The Bank's risk appetite declaration set a limit on the maximum amount of losses that cannot be exceeded by the Bank with a probability of 99% when holding a banking and trading open currency position for a specified time horizon (10 days). The actual value of currency risk calculated using the VaR method in relation to the total banking open currency position as at 31.12.2024 amounted to UAH 0.59 million and was within the established limit. The value of this indicator as of 31.12.2023 amounted to UAH 0.7 million. The above data is calculated on the basis of the Bank's internal management reporting, which is based on the financial statements prepared in accordance with IFRS.

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Interest risk of bankbook

The interest risk of the bankbook is the risk that changes of interest rate would affect future cash flows or the fair value of financial instruments, thus affecting the economic value of capital of the Bank and net interest income of the Bank.

Interest risk of bankbook includes the following risks:

- Gap risk due to difference in term of settlements (for instruments with fixed interest rate) or change of interest rate index (for instruments with floating interest rate) of assets, liabilities and off-balance position in the bankbook;
- Basal risk due to absence of adequately close correlation between adjustment of rates received and paid under different instruments, while all other revaluation-related characteristics are the same;
- risk of negative revaluation of the NBU interest rate swap;
- the risk of negative revaluation of the portfolio of state bonds and other sovereign securities.

Interest rate risk is measured by the extent to which changes in market interest rates affect the Bank's net interest income (NII), economic value of equity (EVE) and the value of the portfolio of government bonds and other sovereign securities in the banking book. To the extent that the terms of interest earning assets differ from the terms of interest-bearing liabilities, net interest income will increase or decrease as a result of changes in interest rates. In order to manage interest rate risk in the banking book, the Bank's management constantly evaluates the gaps in the Bank's assets and liabilities by maturity and currency, market interest rates for different types of interest-bearing assets and liabilities.

Interest margins for assets and liabilities with different maturities may increase if market interest rates change. In reality, the Bank changes interest rates for assets and liabilities based on current market conditions and agreements, formalized as annexes, stating new interest rates, to basic contract.

To assess this risk, the Bank estimates the possible impact on net interest income over the next 12 months; the economic cost of capital reflects the change in the value of assets, liabilities and off-balance sheet positions through the final term of their holding, without assuming that the instrument will be replaced at maturity.

The Bank performs this assessment using the following 6 scenarios:

- o parallel shock up;
- o parallel shock down;
- o short rates shock up;
- o short rates shock down (up to six months);
- o rates shock up (up to six months) in case of simultaneous drop of rates in other terms (flattener shock);
- o rates shock down (up to six months) in case of simultaneous increase of rates in other terms (steepened shock).

As at December 31, 2024, the most negative impact would have been caused by the implementation of the Parallel shock up scenario (equal rate growth rates for all terms), which would have resulted in a decrease in annual net interest income by UAH 50,981 thousand and was within the established risk appetite (as at December 31, 2023 - the value of the indicator was UAH 64,373 thousand).

Value of balance sheet and off-balance assets and liabilities, sensitive to interest rate changes, by maturities or contractual date of interest rate revision as at December 31, 2024, is presented below:

	<i>Up to 3 months</i>	<i>3 - 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Interest-free</i>	<i>Total</i>
Assets						
Cash and cash equivalents	5 756 069	-	-	-	976 591	6 732 660
Due from other banks	250 382	-	-	-	65 079	315 461
Loans and advances to customers	5 390 817	1 201 497	1 147 175	334 380	(244 134)	7 829 735
Investment in securities	9 001 355	-	-	472	(7 261)	8 994 566
Derivatives	-	-	-	-	75 262	75 262
Other financial assets	-	-	-	-	30 675	30 675
Off-balance sheet assets	1 140 000	-	-	-	-	1 140 000
Total assets	21 538 623	1 201 497	1 147 175	334 852	896 212	25 118 359
Liabilities						
Due to banks	-	-	-	-	80	80
Due to customers	17 507 442	1 114 269	22 579	-	3 135 779	21 780 069
Other borrowings	-	-	-	310 779	768	311 547
Other financial liabilities	-	-	-	-	155 533	155 533
Off-balance sheet liabilities	-	940 000	200 000	-	-	1 140 000
Total liabilities	17 507 442	2 054 269	222 579	310 779	3 292 160	23 387 229
Sensitivity to interest rate changes	4 031 181	(852 772)	924 596	24 073	(2 395 948)	1 731 130

Interest rate sensitive derivative financial assets and off-balance sheet liabilities include three interest rate swap agreements with the National Bank of Ukraine for the total amount of UAH 1,140,000 thousand (2023: UAH 1,140,000 thousand),

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under which the Bank pays a fixed interest rate and the National Bank of Ukraine pays a floating interest rate. Taking into account the above conditions, the asset and liability were appropriately matched. The result of the revaluation of the fair value of this financial instrument as at the reporting date is included in the category of “non-interest bearing” derivative assets.

Loans and advances to customers, due to banks refinancing loans are disclosed based on estimated term of interest rate review rather their maturity.

Assets and liabilities that do not bear interest are recorded in the “Non-interest bearing” basket. This line item also includes non-monetary components of the carrying value of loans, advances to customers, investments in securities (provisions, discounts, premiums, revaluation) and accrued interest.

In order to comprehensively assess interest rate risk, as well as taking into account the Bank's significant exposure to government bonds and other sovereign securities, in the reporting period, the Bank additionally implemented an assessment of the possible negative impact of changes in interest rates on the value of these instruments. It is carried out using the VAR methodology and modified duration, reflecting the maximum possible losses (the amount of negative revaluation of the fair value of securities) over a given time horizon at a given confidence level as a result of adverse changes in market factors that directly affect the value of securities (changes in the yield curve that may occur as a result of changes in the NBU discount rate, an increase in the issuer's credit risk or other factors). As at 01.01.2025, the value of VAR of the portfolio of these securities for a horizon of up to 1 month with 99% confidence level and taking into account the correlation between securities is UAH 67 million equivalent.

In view of the implementation of this method and in order to correctly assess the total amount of interest rate risk, all securities subject to it are reflected in the “Investments in securities” item in the “up to 3 months” basket.

A significant risk in the period under review was the basis risk due to different dynamics of changes in the main market indices to which the interest rate on the Bank's assets and liabilities is linked (UIRD index, discount rate, yield on deposit certificates), which may lead to additional risk even if the assets and liabilities are balanced by the terms of rate revision. At the same time, the volatility of interest rates provides an additional opportunity to set them at a level acceptable to the Bank in order to fix the amount of interest income.

Value of balance sheet and off-balance assets and liabilities, sensitive to interest rate changes, by maturities or contractual date of interest rate revision as at December 31, 2023, is presented below.:

	<i>Up to 3 months</i>	<i>3 - 12 months</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Interest-free</i>	<i>Total</i>
Assets						
Cash and cash equivalents	6 718 149	-	-	-	1 434 174	8 152 323
Due from other banks	223 456	-	-	-	44 437	267 893
Loans and advances to customers	3 040 489	660 112	610 182	24 494	-	4 335 277
Investment in securities	142 051	1 261 257	5 399 226	330	-	6 802 864
Derivatives	-	-	-	-	244 320	244 320
Other financial assets	-	-	-	-	20 548	20 548
Off-balance sheet assets	1 140 000	-	-	-	-	1 140 000
Total assets	11 264 145	1 921 369	6 009 408	24 824	1 743 479	20 963 225
Liabilities						
Due to banks	40 119	-	-	-	-	40 119
Due to customers	14 342 845	1 009 868	47 883	-	3 075 942	18 476 538
Other financial liabilities	-	-	-	-	135 502	135 502
Off-balance sheet liabilities	-	-	1 140 000	-	-	1 140 000
Total liabilities	14 382 964	1 009 868	1 187 883	-	3 211 444	19 792 159
Sensitivity to interest rate changes	(3 118 819)	911 501	4 821 525	24 824	(1 467 965)	1 171 066

Liquidity risk

Liquidity risk is the risk of impossibility to finance assets in proper terms at proper rates and risk of non-compliance of the Bank with its terms of payments for liabilities at their maturities. Liquidity risk arises in overall financing of operations and management of positions. It includes the risk of impossibility to finance assets in proper terms at proper rates and risk of non-compliance of the Bank with its terms of payments for liabilities at their maturities in usual or unforeseen circumstances.

The Bank follows the following major principles when managing its liquidity:

- Liquidity is managed daily and continuously;
- Bank solves antagonisms between liquidity and profitability in favour of liquidity;
- Any contract affecting liquidity is analysed keeping in mind liquidity risk.

When investing assets into different financial instruments, the Bank takes into account the terms and scope of available resources, both contractual and calculated in line with historical stability. The Bank includes costs of keeping an adequate level of liquidity in the internal pricing of its products.

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Management approach to liquidity risk is based on provision, if possible, of stable adequate level of profitability to repay the liabilities within proper terms in usual or unforeseen circumstances without any undue losses and risks for Bank reputation.

The Bank actively supports diversified and stable sources of financing, including long- and short-term loans from other banks, minimal number of deposits of legal entities and individuals, as well as diversified portfolios of high-liquid assets to be able quickly and freely meet unforeseen needs of liquidity.

To maintain short-term liquidity, the Bank attracts short-term deposits, buys and sells foreign currency and securities. To maintain long-term liquidity, the Bank attracts medium- and long-term deposits, buys and sells securities, regulates its interest rate policy and controls expenses. When managing liquidity, the Bank takes into account the need to form obligatory reserves with the National Bank of Ukraine, the amount of which depends, in particular, on the amount of customer funds raised in foreign currency and the structure of their deposits by maturity.

Undiscounted financial liabilities of the Bank by maturities based on contractual undiscounted cash repayments as at December 31, 2024, are presented below:

	<i>Up to 3 months</i>	<i>3 months – 1 year</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Non-derivative financial liabilities					
Due to other banks	80	-	-	-	80
Due to customers	20 680 395	1 165 355	22 702	-	21 868 452
Lease liabilities	2 305	6 914	37 386	451 743	498 348
Other financial liabilities	18 690	32 391	110 719	-	161 800
Total non-derivative financial liabilities	21 941	896	71	-	22 908
Off-balance financial liabilities	20 723 411	1 205 556	170 878	451 743	22 551 588
Financial guarantees issued					
Gross loan commitments	115 767	259 200	67 231	-	442 198
Total off-balance financial liabilities	200 263	1 235 261	2 260 218	-	3 695 742
Total undiscounted financial liabilities	316 030	1 494 461	2 327 449	-	4 137 940
Non-derivative financial liabilities	21 039 441	2 700 017	2 498 327	451 743	26 689 528

B Column “Up to 3 Months” also includes deposits on demand.

The table presents aggregated analysis of contractual term of repayment for financial liabilities of the Bank as at December 31, 2024. It presents undiscounted liabilities repayable in accordance with contracts. Payments on demand are treated as those to be made immediately. Still, the Bank expects that a lot of clients would not demand repayments immediately after the maturity date in accordance with contracts, so the table does not reflect expected cash flows, calculated based deposits of the previous periods. Besides, significant balances at current accounts are treated by Bank management as conditional stable balances. Maturity analysis does not reflect stability of past current liabilities.

As at December 31, 2024, liquidity of the Bank stays at stable and high level:

	<i>2024</i>	<i>2023</i>
LCR all currencies (>100%)	166%	262%
NSFR all currencies (>100%)	158%	229%

Undiscounted financial liabilities of the Bank by maturity based on contractual undiscounted cash repayments as at December 31, 2023, are presented below:

	<i>Up to 3 months</i>	<i>3 months – 1 year</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Non-derivative financial liabilities					
Due to other banks	40 119	-	-	-	40 119
Due to customers	17 470 599	1 065 525	50 402	-	18 586 526
Lease liabilities	18 180	23 546	93 152	1 488	136 366
Other financial liabilities	27 111	412	-	-	27 523
Total non-derivative financial liabilities	17 556 009	1 089 483	143 554	1 488	18 790 534
Off-balance financial liabilities					
Financial guarantees issued	27 395	327 198	1 088	-	355 681
Gross loan commitments	294 812	1 755 825	1 092 392	-	3 143 029
Total off-balance financial liabilities	322 207	2 083 023	1 093 480	-	3 498 710
Total undiscounted financial liabilities	17 878 216	3 172 506	1 237 034	1 488	22 289 244

Column “Up to 3 Months” also includes deposits on demand.

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Periods of payments under assets and liabilities and probability of changes, at reasonable price, of interest-bearing liabilities are important factors in measurement of Bank liquidity and risk arising from change of interest rates and currency exchange rates.

Analysis of financial assets and liabilities by estimated maturities as at December 31, 2024, is presented below:

	<i>Up to 3 months</i>	<i>3 months – 1 year</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Assets					
Cash and cash equivalents	6 732 660	-	-	-	6 732 660
Due from other banks	270 919	44 542	-	-	315 461
Loans and advances to customers	2 493 563	2 037 796	2 771 293	527 083	7 829 735
Investment in securities	500 604	1 642 071	6 851 503	388	8 994 566
Derivatives	-	60 382	14 880	-	75 262
Other financial assets	28 795	-	-	1 880	30 675
Total assets	10 026 541	3 784 791	9 637 676	529 351	23 978 359
Liabilities					
Due to banks	80	-	-	-	80
Due to customers	20 640 560	1 116 930	22 579	-	21 780 069
Other borrowings	-	-	-	311 547	311 547
Other financial liabilities	40 498	31 066	83 969	-	155 533
Total liabilities	20 681 138	1 147 996	106 548	311 547	22 247 229
Liquidity gap of the period	(10 654 597)	2 636 795	9 531 128	217 804	1 731 130
Cumulative liquidity gap	(10 654 597)	(8 017 802)	1 513 326	1 731 130	

Column “Up to 3 Months” also includes funds on demand

The table below shows loans and advances to customers including overdue loans and advances reduced by the amount of allowances. In addition, overdue loans are classified as overdue for more than five years in accordance with the Bank's judgment of the possible timing of their collection. The table below shows financial liabilities that are contractually due. However, the Bank expects that most customers will not demand repayment immediately after the date when the Bank would have to make a payment under the contract, and the table does not reflect expected cash flows based on the amounts of deposits held in previous periods. In addition, a significant portion of current account balances are assessed by Management as conditionally stable balances (the amount of conditionally stable customer accounts with maturities of more than three calendar months, which are contractually due within three months from the date of analysis, is at least UAH 9,312,558 thousand (as at 31.12.2023 - UAH 10,128,485 thousand) and are mostly placed in the Bank's own accounts.) and are mainly invested in securities refinanced by the NBU (Ukrainian government bonds) and Deposit certificates of the National Bank of Ukraine (the carrying value of these securities with maturities from one to five years is UAH 6,271,173 thousand and, according to the Bank's management, may be used to increase cash and cash equivalents by realizing them in a relatively short period of time or pledging as collateral to raise the required loan).

Derivative financial assets and liabilities include revaluation of fair value of interest-swap instruments as at respective reporting date. Off-balance assets and liabilities related to this financial instrument are not disclosed due to their non-monetary nature.

Analysis of financial assets and liabilities by estimated maturity as at December 31, 2023, is presented below:

	<i>Up to 3 months</i>	<i>3 months – 1 year</i>	<i>1 – 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Assets					
Cash and cash equivalents	8 152 323	-	-	-	8 152 323
Due from other banks	223 456	17 804	-	26 633	267 893
Loans and advances to customers	1 543 792	944 483	1 561 112	285 890	4 335 277
Investment in securities	142 052	1 261 256	5 399 226	330	6 802 864
Derivatives	-	-	244 320	-	244 320
Other financial assets	19 235	-	608	705	20 548
Total assets	10 080 858	2 223 543	7 205 266	313 558	19 823 225
Liabilities					
Due to banks	40 119	-	-	-	40 119
Due to customers	17 418 788	1 009 867	47 883	-	18 476 538
Other financial liabilities	40 083	22 472	72 241	706	135 502
Total liabilities	17 498 990	1 032 339	120 124	706	18 652 159
Liquidity gap of the period	(7 418 132)	1 191 204	7 085 142	312 852	1 171 066
Cumulative liquidity gap	(7 418 132)	(6 226 928)	858 214	1 171 066	

Column “Up to 3 Months” also includes funds on demand.

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In accordance with Ukrainian law and terms of loan agreements, the Bank has a right to demand repayment of loan ahead of schedule in case of deterioration of financial position of a borrower, regular non-compliance with the obligations by a customer and occurrence of some other factors.

Concentration risk

Risk concentration occurs when several counterparts are engaged in similar business or operate in the same geographical area, or they have similar economic characteristics, and the changes in economic, political or other conditions exert similar effect on the ability of such counterparts to meet their contractual obligations. Risk concentration reflects comparative sensibility of Bank operations to circumstances, affecting certain economy branches or geographical areas.

In order to prevent excessive concentration of risks, the Bank's policies and procedures include specific principles aimed at maintaining a diversified portfolio. The established risk concentrations are managed within the framework of credit risk and liquidity risk management, including at the level of the Risk Exposure Declaration, Material Risk Management Policies, and by separate decisions at the level of committees of the Supervisory Board and/or the Management Board, which set limits on risk concentration by region, product, counterparty, financial instrument, time interval, etc..

After the full-scale invasion and during the reporting period, the Bank does not conduct active transactions in the areas close to territories of hostilities or temporarily occupied territories of Ukraine.

Operating risk

Operating risk is the risk of occurrence of losses or additional expenses, or receipt of less than planned revenue due to deficiencies or mistakes in internal processes of the Bank, intentional or unintentional acts of Bank employees or other persons, malfunctions of Bank IT systems, or influence of external factors. Operating risk includes legal risk and excludes reputational risk and strategic risk.

Operating risk is inherent for all products, types of business, procedures and systems. Operating risk management is an integral function for all levels of management. Approach to management and monitoring of operating risk is reconciled with management and monitoring of other risks of the Bank, in particular, market and credit risks.

Operating risk management is based on the model of three lines of defence:

1. First line is the business departments and support departments of the Bank. They are owners of all operating risks arising within their areas of responsibility. These departments are responsible for detection and assessment of operating risks, implementation of necessary measures and reporting on the risks. The Bank appoints persons within departments, responsible for internal control of operating risk at the first line of defence.
2. Second line is RMD, responsible for the following functions: design, implementation and continuing development of operating risk management system; assessment of scope of operating risk of the Bank, including use of information presented by Bank employees, responsible for internal control of operating risks in the first-line departments.
3. Third line is the Department of internal audit, measuring efficiency of operating risk management system of first and second lines of defence, including assessment of efficiency of internal control system.

Operating control management is performed at all stages of the bank processes.

The Bank uses the following methods of response:

- Acceptance of risk – continuation of operations without changes if the analysis of reasons of identification of the risk shows that implementation of steps to mitigate it is not economically feasible;
- Transfer of risk – entering into insurance contracts when the Bank can compensate the losses if risks, which are the insured, occur;
- Minimization (reduction) of risk – implementation of necessary measures aimed at decrease of the level or risk identified down to acceptable level;
- Evasion of risk – refusal to perform transactions/bank procedures unacceptable risk level, even if the Bank implements additional control procedures.

Although in 2024 the actual losses incurred by the Bank as a result of operational risk events were within the risk appetite set by the Declaration of Risk appetite, the Bank suffered a negative impact on capital due to the loss/destruction/damage of collateral as a result of the military aggression of the Russian Federation. Also, the Bank continued to incur significant operating expenses (including labour costs, expenses for the arrangement of a backup data center in Uzhhorod) to ensure the uninterrupted operation of the institution in the context of an increased level of risks caused by both hostilities in the immediate vicinity of the Bank's network facilities and massive rocket attacks. The Bank has worked out a number of different scenarios for further development of events and has developed and implemented a list of action plans to ensure the continuity of the Bank's operations.

Compliance risk

Compliance risk is the probability of losses and/or penalties, additional losses or deficiency of planned income or loss of reputation by non-compliance of the Bank with laws and regulations, market standards, rules of fair competition, rules of corporate ethics, existence of conflict of interests, as well as with internal documents of the Bank.

The Bank strives to maximally avoid compliance risks by high-level culture of compliance risks management, continuing training of personnel, strict compliance with Ukrainian laws, regulations of National Bank of Ukraine and internal

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documents of the Bank, assessment of external and internal factors, which may lead to compliance risks, and timely responses to them.

To control level of compliance risk, the Bank introduced efficient system of:

- Detection of compliance risks and incidents, and timely responses to them;
- Detection of potential and existing conflicts of interests, and their timely prevention / elimination;
- Participation of compliance department in solution of problem issues within its competence;
- Analysis of new products and significant changes in Bank operations (before their introduction);
- Analysis of decisions of collective bodies of the Bank;
- Analysis of reports of Bank departments, including audit reports;
- Escalation of detected risks and/or violations and organization of process of response to them.

30. Related party transactions

The Bank issues loans to customers, attracts deposits and engages in other transactions with related parties in the usual course of the business. The Parties are considered to be related, if one of them has a possibility to control another one or significantly influence its financial and operating decisions. Terms of related parties' transactions are set at the moment of execution of transaction.

Related parties include the Shareholder of the Bank, members of the Supervisory Board, members of the Board and their close families, companies where the Shareholder, key management or their close families exert control. Key management is composed of authorized persons, who are responsible for planning, management and control of Bank activities directly or indirectly, including members of the Board and Supervisory Board. Business entities are not considered to be related parties simply for the reason of having common director or other person of key management, or a person of key management having significant influence on other business entity.

Bank management believes that terms of related parties' transactions did not differ from terms offered for independent parties.

As disclosed in Note 1, 100 % of share capital of the Bank is owned by O.V. Yaroslavsky as of August 4, 2020.

Related parties' transactions and balances with related parties as at December 31, 2024:

	<i>Shareholder of the Bank</i>	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Loans and advances to customers (contractual interest rates: UAH 17.0% - 38.4%; USD 6.0%)	-	172	149 772	149 944
including allowance for impairment on loans and advances to customers	-	(6)	(37 443)	(37 449)
Other financial assets	-	-	812	812
Other assets	-	-	768	768
Due to customers (contractual interest rates: UAH 0% - 12.4%; USD 0% - 2.5172%; EUR 0% - 0-0.6%)	2 781	104 041	1 292 852	1 399 674
Provisions	-	7 537	1 218	8 755
Other financial liabilities	-	1	44	45
Other liabilities	-	5	15	20

Related parties' transactions and balances with related parties as at December 31, 2023:

	<i>Shareholder of the Bank</i>	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Loans and advances to customers (contractual interest rate: UAH 18,0% – 27,0%; USD 6,0%)	-	-	150 950	150 950
Including allowance for ECL	-	-	(130 089)	(130 089)
Other financial assets	-	-	350	350
Other assets	-	-	648	648
Due to customers (contractual interest rate: UAH 0% – 15,5%; USD 0% – 3,0%; EUR 0% – 0-0,6%)	8 193	95 758	1 679 411	1 783 362
Provisions	-	9 803	1 423	11 226
Other financial liabilities	-	-	270	270
Other liabilities	-	1	3	4

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Other rights and commitments under related parties' transactions as at December 31, 2024:

	<i>Key</i>			
	<i>Shareholder of the Bank</i>	<i>management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Guarantees issued	-	-	15 097	15 097
Guarantees received	-	-	105 000	105 000
Potential loan commitments (revocable)	-	1 388	152	1 540

Under potential credit related commitments (revocable credit lines), the Bank has the right to reject a loan request and therefore is not exposed to credit risk..

Other rights and commitments under related parties' transactions as at December 31, 2023:

	<i>Key</i>			
	<i>Shareholder of the Bank</i>	<i>management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Guarantees issued	-	-	15 015	15 015
Guarantees received	-	-	315 000	315 000
Potential loan commitments (revocable)	-	260	217	477

Total amount of loans granted to and repaid by related parties during the period ended 31 December 2024:

	<i>Key</i>			
	<i>Shareholder of the Bank</i>	<i>management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Loans granted to related parties	-	41 806	-	41 806
Loans repaid by related parties	-	(41 628)	(49 614)	(91 242)

Total amount of loans granted to and repaid by related parties during the period ended 31 December 2023:

	<i>Key</i>			
	<i>Shareholder of the Bank</i>	<i>management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Loans granted to related parties	-	5 073	-	5 073
Loans repaid by related parties	-	(5 072)	(1 600)	(6 672)

Related parties' transactions of the Bank for the period ended on December 31, 2024:

	<i>Key</i>			
	<i>Shareholder of the Bank</i>	<i>management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Interest income	-	-	33 845	33 845
Interest expense	-	(2 768)	(60 948)	(63 716)
Commission	119	608	1 940	2 667
Foreign currency transactions	-	-	481	481
Reversal of/(allocation to) allowance for ECL for loans to customers	-	(6)	19 879	19 873
Other income	-	-	12 156	12 156
Other expense	-	(134 757)	(9 031)	(143 788)

Related parties' transactions of the Bank for the period ended on December 31, 2023:

	<i>Key</i>			
	<i>Shareholder of the Bank</i>	<i>management personnel</i>	<i>Other related parties</i>	<i>Total</i>
Interest income	-	1	41 097	41 098
Interest expense	-	(2 740)	(245 898)	(248 638)
Commission	64	531	2 258	2 853
Foreign currency transactions	-	-	747	747
Reversal of/(allocation to) allowance for ECL for loans to customers	-	-	(20 867)	(20 867)
Other income	-	-	2 651	2 651
Other expense	-	(109 443)	(5 176)	(114 619)

Remuneration to key management personnel for the year ended December 31, 2024, is represented by short-term employee benefits in the amount of UAH 102,122 thousand (2023: UAH 87,654 thousand).

Remuneration to the members of the Supervisory Board for the year ended December 31, 2024, amounted to UAH 30,405 thousand (2023: UAH 15,304 thousand).

31. Fair value measurement

The Bank uses the following hierarchical structure of methods to measure fair value of financial instruments and disclose this information:

- Level 1: quoting (unadjusted) on active markets for similar assets or liabilities, available as at the date of measurement.
- Level 2: models where all input data, having material effect on disclosed fair value in financial statements, are directly or indirectly based on observable information.
- Level 3: models where input data, having material effect on disclosed fair value in financial statements, are not based on observable information.

As at December 31, 2024 and 2023, there were no transfers between fair value levels 1 and 2. For the purpose of disclosure of information on fair value, the Bank segregated classes of assets and liabilities based their nature, characteristics and risks for assets or liabilities, as well as hierarchy level of fair values:

	<i>Date of measure ment</i>	<i>Fair value measurement using</i>				<i>Carrying amount</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
December 31, 2024						
Assets measured at fair value						
Derivative financial assets	31.12.2024	-	75 262	-	75 262	75 262
Investments in securities	31.12.2024	434 176	8 466 580	197	8 900 953	8 900 953
Investment property	01.11.2024	-	-	96 259	96 259	96 259
Fixed assets						
Land and structures	01.11.2024	-	-	205 195	205 195	205 195
Assets where fair value is disclosed						
Cash and cash equivalents	31.12.2024	-	-	6 732 660	6 732 660	6 732 660
Due from banks	31.12.2024	-	-	315 461	315 461	315 461
Investments in securities	31.12.2024	-	-	99 776	99 776	93 613
Loans and advances to customers	31.12.2024	-	-	7 748 315	7 748 315	7 829 735
Other financial assets	31.12.2024	-	-	30 675	30 675	30 675

	<i>Date of measur ement</i>	<i>Fair value measurement using</i>				<i>Carrying amount</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
December 31, 2024						
Liabilities where fair value is disclosed						
Due to banks	31.12.2024	-	-	80	80	80
Due to customers	31.12.2024	-	-	21 769 778	21 769 778	21 780 069
Other financial liabilities	31.12.2024	-	-	155 533	155 533	155 533

Reconciliation of assets, measured at fair value, recognized as at the commencement and the end of reporting period, are presented in Notes 10, 11, 14.

The following methods and assumptions were used to measure fair value:

Management determined that the fair value of cash, short-term financial assets and liabilities, and other assets and liabilities is close to their book value, since these instruments have a short payback period.

Property and equipment (buildings) and investment property. To determine the fair value of buildings and investment property, the Bank engages independent appraisers, using the comparative approach based on the prices of transactions with objects of similar nature, location and condition and the income approach based on the principles of best use and expectations, according to which the value of an object of valuation is determined as the present value of expected income from the most efficient use of the object of valuation, including income from its possible resale

Derivative financial instruments

Currency contracts (spots, forwards, swaps) are measured by observable market rates (Level 1) or based on calculated forward courses (Level 2).

Fair value of interest swaps is measured by estimation of future cash flows and their discounting using profitability curves in accordance with the Rules of fair value measurement of derivatives transactions with which are performed by National Bank of Ukraine (Level 2).

Investment securities.

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Investment securities are represented by debt securities with fair value, observable on an active market, and equity instruments of value determinable by any method of measurement, represented by non-marketable shares, etc... The value of these assets is measured based on models, which, in some cases, are based solely on observable market data and, in other cases, on non-observable data. Non-observable data include assumptions regarding future financial performance of investment objects, nature of risks, and economic assumptions regarding industry and geographic location, where the investment object operates.

Investments in securities measured at fair value based on Level 1 and Level 2 inputs consist of:

- For securities in national currency - exclusively from state bonds (OVDPs) and domestic municipal bonds (OVMPs), which are eligible for refinancing by the NBU
- For foreign currency securities, only G7 sovereign bonds with an international investment grade rating and domestic government bonds

G7 sovereign bonds are traded in active markets and, therefore, their fair value is determined based on quoted market prices (Level 1).

Ukrainian government debt securities and government bonds are highly liquid assets and are traded in active markets (Level 1). The active secondary market for these securities continued to recover in 2024. It underwent a number of significant changes, including an increase in the volume of transactions and diversification of securities. In particular, the average monthly number of transactions in the secondary market increased significantly, due to both an increase in the number of unique securities on the market and an increase in the number of transactions in securities issued before the beginning of 2024. At the same time, the securities with the largest number of transactions showed a significant deviation between the maximum and minimum yield to maturity. In addition, since the resumption of trading in domestic government bonds on the secondary market, there has been a significant increase in the number of transactions conducted outside the organized capital markets (OTC transactions for the purchase/sale of domestic government bonds). Given the above circumstances, the use of Level 1 inputs, namely quoted prices in active markets to which the Bank has access at the measurement date, had a risk of not taking into account events that may indicate that the price in an active organized capital market (exchanges) does not reflect the fair value of the securities at the measurement date, which required the Bank to adjust the fair value to avoid the relevant risk. As a result, in accordance with the Bank's internal methodology, to determine the fair value of the Bank's government bonds as at 01.01.2025 the Bank used Level 2 inputs, namely the information summarized by the National Bank of Ukraine on completed transactions of purchase/sale of state bonds in the market based on the depository accounting system of the National Bank's depository for transactions (deals) of purchase/sale of government bonds concluded in the organized and unorganized capital markets, taking into account the actual accumulated coupon as at the date of revaluation.

Loans and advances to customers. The Bank estimates loans and advances to customers and receivables based on parameters such as interest rates, risk factors, and individual borrower's ability to pay. Based on this assessment, allowances are established to account for expected losses on these assets. The fair value of loans and advances to customers is determined by applying the discounted cash flow method using market rates for UAH denominated loans in the range of 13.3 - 34.9% (2023: 16.5 - 35.4%) and for foreign currency denominated loans in the range of 6.1 - 6.3% (2023: 6.0 - 6.6%).

Due to customers. The fair value of borrowed funds is determined by discounting cash flows using market rates for term deposits in UAH in the range of 8.5 - 11.8% (2023: in the range of 10.5 - 14.7%) and for term deposits in foreign currency in the range of 0.5 - 1.3% (2023: in the range of 0.5 - 1.9%). Own credit risk of default as at December 31, 2024, is estimated to be insignificant.

Fair value of assets and liabilities of the Bank as at December 31, 2023

	<i>Date of measure ment</i>	<i>Fair value measurement using</i>				<i>Carrying amount</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
December 31, 2023						
Assets measured at fair value						
Derivative financial assets	31.12.2023	-	244 320	-	244 320	244 320
Investments in securities	31.12.2023	74 492	6 632 332	308	6 707 132	6 707 132
Investment property	01.11.2023	-	-	121 807	121 807	121 807
Fixed assets						
Land and structures	01.11.2023	-	-	210 106	210 106	210 106
Assets where fair value is disclosed						
Cash and cash equivalents	31.12.2023	-	-	8 152 323	8 152 323	8 152 323
Due from banks	31.12.2023	-	-	267 893	267 893	267 893
Investments in securities	31.12.2023	-	-	101 512	101 512	95 732
Loans and advances to customers	31.12.2023	-	-	4 242 265	4 242 265	4 335 277
Other financial assets	31.12.2023	-	-	20 548	20 548	20 548

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	<i>Date of measurement</i>	<i>Fair value measurement using</i>				<i>Carrying amount</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
December 31, 2023						
Liabilities where fair value is disclosed						
Due to banks	31.12.2023	-	-	40 119	40 119	40 119
Due to customers	31.12.2023	-	-	18 473 232	18 473 232	18 476 538
Other financial liabilities	31.12.2023	-	-	135 502	135 502	135 502

Set out below is a description of the valuation techniques and inputs used in the fair value measurement of non-current assets as at December 31, 2024:

	<i>Carrying amount</i>	<i>Measurement method</i>	<i>Parameter</i>	<i>Parameter range</i>
Investment property	96 259			
- <i>Buildings and facilities</i>	31 058	comparative	m ²	UAH 27,61 thou – UAH 34,99 thou
- <i>Buildings and facilities</i>	16 125	comparative	m ²	UAH 11,15 thou
- <i>land plots</i>	48 987	profitable	100 m ²	UAH 0,71 thou – UAH 186,32 thou
- <i>land plots</i>	89	profitable	m ²	UAH 1,75 thou
Fixed assets	205 195			
- <i>Buildings and facilities</i>	162 492	profitable	m ²	UAH 2,26 thou – 2UAH 4.56 thou
- <i>Buildings and facilities</i>	38 940	comparative	m ²	UAH 99,12 thou – UAH 110.06 thou
- <i>land plots</i>	3 763	comparative	100 m ²	UAH 665,05 thou – UAH 707,4 thou.

In 2024, the Bank's management decided not to adjust the value of fixed assets (real estate and land plots), as the difference between their fair value and the carrying amount does not exceed 10%, which is the materiality threshold for the revaluation.

Description of measurement methods and input data used to measure fair value of assets as at December 31, 2023, is presented below:

	<i>Carrying amount</i>	<i>Measurement method</i>	<i>Parameter</i>	<i>Parameter range</i>
Investment property	121 807			
- <i>Buildings and facilities</i>	76 342	comparative	m ²	UAH 12,21 thousand – UAH 46,68 thousand
- <i>Land plots</i>	45 376	comparative	100 m ²	UAH 92,57 thousand – UAH 164,85 thousand
- <i>Land plots</i>	89	profitable	m ²	UAH 1,75 thousand
Fixed assets	210 105			
- <i>Buildings and facilities</i>	206 342	comparative	m ²	UAH 15,8 thousand – UAH 130,1 thousand
- <i>Land plots</i>	3 763	comparative	100 m ²	UAH 602,27 thousand – UAH 747,39 thousand

32. Capital management

The Bank actively controls the capital adequacy level to prevent the inherent risks, comply with external requirements to equity and support high credit rating and capital adequacy standards, necessary to continue operations and maximize welfare of Bank's shareholders. Capital adequacy is controlled, inter alia, through implementation of methods, principles and ratios, set by Basel accord (approved in July 1988 with November 2005 changes and amendments, taking into account, inter alia, inclusion of market risk), and standards, introduced by NBU for banking oversight purposes.

The Bank controls the structure of its capital and adjusts in accordance with changes in the economic situation and risk characteristics for Bank activities. There were no changes in purposes, policies and procedures of capital management.

NBU capital adequacy ratio

NBU sets requirements to the level of capital of the banks and controls the compliance. In accordance with current capital adequacy requirements of NBU, the banks must keep the risk weighed capital-to-assets ratio (capital adequacy ratio in accordance with Ukrainian legal requirements) above certain minimal level. If a bank does not maintain or does not adequately increase its equity in line with increase of its assets, weighed for risk, the bank may violate set ratio of capital adequacy, resulting in application of penalties by NBU with subsequent negative effect on financial performance and financial position.

As a result of full-scale military aggression of Russian Federation against Ukraine on February 24, 2022, a martial law was declared in the country. In order to minimize negative effects of this aggression and preserve stability of Ukrainian banking system, the NBU Board approved Decree of 25.02.2022 (with changes and amendments, introduced by NBU Board approved Decree №40 of 07.03.2022), whereas commercial banks of Ukraine shall not be penalized during martial law for violation capital ratios and other mandatory economic ratios and limits of open currency position, if these violations occurred as of February 24, 2022, as a result of negative impact of Russian military aggression against Ukraine.

In order to bring the calculation of regulatory capital in line with European standards, the National Bank of Ukraine, by its Resolution No. 196 dated 28.12.2024 (hereinafter - Regulation No. 196), changed the procedure for calculating regulatory capital. The NBU moved from a two-tier regulatory capital structure to a three-tier structure and tightened the calculation requirements, in particular: the profit of the reporting year and profit for the interim reporting period are included only after the auditor approves the interim statements and receives the NBU's approval, deferred tax assets are added to the deduction from Common Equity Tier 1 capital, and the Bank's direct and indirect investments in its own instruments are included in the deduction from Common Equity Tier 1 capital, Tier 1 additional capital and Tier 2 capital. These changes became effective on 05.08.2024.

During the transitional period, the Resolution of the Board of the National Bank of Ukraine No. 65 dated 07.06.2024 (hereinafter - NBU Resolution No. 65) allows banks to include in the capital of the bank profit for the first half and 9 months of 2024 without the approval of the National Bank of Ukraine to include it in the capital of the bank until the earlier of the date of approval by the National Bank of Ukraine of the inclusion of such profit or the date of adoption by the general meeting of shareholders / sole shareholder of the bank of the decision to approve the profit for 2024. Also, the NBU does not apply to banks any penalties for violations of capital, credit risk, investment, and open currency position limits related to the implementation of the requirements of Regulation No. 196 between August 05 and December 31, 2024 (inclusive), provided that the banks submit a capitalization program/restructuring plan to the NBU within 30 calendar days of the violation and ensure their implementation.

The NBU Resolution No. 65 sets the following capital adequacy ratios:

- the minimum value of the Common Equity Tier 1 ratio (CET1) is 5.625%;
- minimum value of the Tier 1 capital adequacy ratio (Tier 1) - 7.5%;
- the minimum value of the regulatory capital adequacy ratio (CAR):
 - until December 31, 2024 (inclusive) - 8.5%;
 - until June 30, 2025 (inclusive) - 9.25%;
 - from July 1, 2025 - 10%.

As at December 31, 2024, the Bank complied with all the NBU requirements for capital ratios calculated under the new structure, namely: the value of the regulatory capital (N1) is UAH 1,508 million, the Common Equity Tier 1 ratio (CET1) is 14.9%, the Tier 1 capital ratio (Tier 1) is 14.9%, and the regulatory capital ratio (CAR) is 14.9%.

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As at the end of the day on December 31, 2024, the Bank's capital adequacy ratios calculated according to the three-tier capital structure in accordance with the requirements of the National Bank of Ukraine amounted to:

	<i>December 31, 2024</i>
Common Equity Tier 1 (CET1)	
Own instruments CET1 (ordinary shares)	3 586 561
Share premium	17 469
Reserve funds	75 711
Retained earnings of previous years	261 396
Profit for the interim reporting period before inclusion in CET1	248 916
Deductions from CET1:	
Intangible assets	(83 405)
Accumulated loss of previous years	(2 086 305)
Amount of the carrying amount of non-core assets by which Tier 1 is reduced	(282 005)
Deferred tax assets	(145 686)
Other deductions from CET1 (accrued and unreceived income for more than 30 days, overdue accrued income, negative result of revaluation of equity instruments, etc.)	(84 282)
Investments in own capital instruments	-
Investments in capital instruments of financial sector institutions	-
Total CET1	1 508 370
Tier 1 additional capital (AC1)	
Own instruments of AC1	-
Deductions from AC1	-
Total AC1	-
Total Tier 1 capital	1 508 370
Tier 2 capital (T2)	
Own instruments of T2	-
Deductions from T2	-
Total T2	-
Total regulatory capital	1 508 370
Total risk-weighted assets	7 563 020
Minimum exposure to operational risk	255 607
Minimum exposure to market risk	3 324
Capital adequacy ratio CET1	14.86%
Tier 1 capital adequacy ratio	14.86%
Regulatory capital adequacy ratio	14.86%

As at December 31, capital adequacy ratio, calculated in line with NBU requirements was:

	<i>December 31, 2023</i>
Tier 1 capital	
Authorized capital	3 586 561
Share premium	17 469
Reserve funds	61 429
Intangible assets	(61 505)
Accumulated loss of previous years	(2 086 304)
The amount of the carrying amount of non-core assets by which the MC is reduced	(296 071)
Total tier 1 capital	1 221 579
Tier 2 capital	
Revaluation surplus	80 504
Current year profit	264 800
Retained earnings of previous years	132 866
Total tier 2 capital	478 170
Deductions from capital	(308)
Total regulatory capital	1 699 441
Total risk-weighted assets	5 229 970
Open currency position	82 795
Minimal operating risk	173 687
Tier 1 capital adequacy ratio	17.33%
Regulatory capital adequacy ratio	24.11%

33. Subsequent events

The Bank has assessed subsequent events up to the date of issuance of the financial statements and concluded that there are no events requiring disclosure.

Chairman of the Management Board

Sergii PANOV

Financial director

Andriy BILOUS

Chief accountant

Ruslan CHUDAKIVSKYI

April 21, 2025

Handwritten signatures in blue ink for Sergii PANOV, Andriy BILOUS, and Ruslan CHUDAKIVSKYI.

**JSC «BANK CREDIT DNEPR»
Management report**

for the year ended December 31, 2024

Translation from Ukrainian original

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1. Background information

Joint Stock Company “BANK CREDIT DNEPR” (hereinafter – the Bank) was established on July 7, 1993, by decision of General meeting of shareholders of the Bank in accordance with Ukrainian law.

On July 16, 2009, the Bank changed the name and legal form from closed joint stock company into public joint stock company. As a result of changes in Ukrainian law, in April 2018 BANK CREDIT DNEPR Public Joint Stock Company was transformed into Joint Stock Company “BANK CREDIT DNEPR”.

Legal address and registered office of the Bank: 32, Zhylianska Str., Kyiv, 01033, Ukraine. As at December 31, 2024, the Bank operated 34 branches throughout Ukraine (December 31, 2023: 33 branches).

As at December 31, 2024, the registered and paid-up share capital of the Bank amounted to UAH 3,587 million, 100% of the Bank's shares are owned by Oleksandr Yaroslavsky, the owner and President of DCH Group.

As at December 31, 2024, Mr. Yaroslavsky (the “Shareholder”) is the ultimate beneficial owner of the Bank.

In accordance with the requirements of the new version of the Law of Ukraine 2465-IX “On Joint Stock Companies”, a new version of the Bank's charter was registered on November 29, 2023, which was approved by the National Bank of Ukraine on December 18, 2023.

The Bank has been a member of the Deposit Guarantee Fund since September 2, 1999 (registration certificate No. 082 dated November 1, 2018) in accordance with the Law of Ukraine No. 4452-VI “On the Individual Deposit Guarantee System”.

The main purpose of the Bank is to generate profit in the interests of its owner by providing a full range of banking services.

The Bank operates based on general license №70, renewed by National Bank of Ukraine (hereinafter – NBU) of October 22, 2018, and registration of Bank data in the State register of the banks (registration number 180 in the State register of the banks), giving the Bank the right to engage in banking transactions. Besides, the Bank has licenses for transactions with securities and depository activity, issued by National Securities and Stock Market Commission, extended for unlimited term as of October 17, 2012. In accordance with licenses and permits received, the Bank performs the following:

- Acceptance of deposit from legal entities and individuals;
- Opening and management of current accounts of customers and correspondent banks, including transfer of funds from these accounts, using payment instruments, and receipt of funds on these accounts;
- Placement of borrowed funds in its name, under its terms and at its risk;
- Issuance of guarantees and security with execution in cash in the name of third parties;
- Acquisition of right of claim for execution of obligations in cash under goods supplied or services provided, accepting the risk of execution of these obligations and acceptance of payments (factoring).
- Leasing;
- Issuance, purchase, sale and servicing of checks, promissory notes and other turnaround pay documents;
- Issuance of bank pay cards and transactions with such cards;
- Consulting and information services regarding banking transactions;
- Transactions with foreign currencies;
- Sale and purchase of securities under instructions of customers;
- Transactions at security market in its name (including underwriting).

The Bank positions itself as a Universal bank offering an integral service package to legal entities and individuals. The Bank subdivides corporate customers into two general segments: corporate business - large and medium corporate customers (including separate sub-segment of agricultural customers) and small and micro business. Individuals are subdivided into retail (mass and medium segment) and VIP (premium segment). Separate segment is business at financial markets servicing corporate and individual customers and financial institutions at security markets, currency market and markets of other financial instruments.

In 2024, the Bank continued to support its existing customer base and ensured continuity of services in all segments. At the same time, the Bank returned to active lending to legal entities and individuals and attracting customer funds. As part of the development of lending to individuals, the Bank launched new channels for selling consumer POS loans through a network of partners, launched a digital company for selling credit cards online, and launched a project to connect to the state mortgage lending program E-House.

In order to develop transactional business and increase the efficiency of retail customer service, the Bank continues to develop remote sales channels. A number of updates were made to the Bank's mobile application for individuals, and partners are being engaged to distribute loan products for households. The Bank implemented a project to launch onboarding of individuals and legal entities through remote verification and transfer of documents via the Diia service. Development of remote channels to ensure effective onboarding of clients remains a priority in 2025.

A system of remote sales of products to corporate clients was built. The Bank continued the process of geographical diversification of the loan portfolio to legal entities with a focus on the western and central regions of Ukraine. The range of loan products to legal entities was increased by offering "affordable financial leasing 5-7-9%" and "affordable factoring 5-7-9%".

The terms of financing under standard loan products for the small and micro business (SME) segment were improved and a campaign to attract SME clients engaged in active foreign economic activity was implemented.

Key tasks for 2025:

- Ensuring the continuity of operations;
- development of remote sales channels in all segments;
- maintaining and increasing the Bank's market share in certain segments by increasing the number of active customers through expanding the range of products and services;
- controlling efficiency with a focus on CIR using the existing infrastructure and maximizing the effect of new investments;
- Diversification of the loan portfolio, development of lending in new regions, increase in volumes and development of new channels of lending to retail customers;
- increase in non-interest income, increase in liabilities by working with existing clients and attracting new clients, active growth of diversified SME resources, and maintaining the volume of FX operations.

2. Economic environment

Russia's full-scale invasion of Ukraine, which began on February 24, 2022, led to the introduction of martial law throughout Ukraine, which is still in effect today and has become a determining factor in the financial and economic crisis.

As of the end of 2024, the Autonomous Republic of Crimea, parts of Donetsk, Zaporizhzhia, Luhansk, Mykolaiv, Kharkiv, and Kherson regions are still temporarily occupied by Russia. Active hostilities are taking place along the entire front line.

In 2024, the aggressor intensified massive missile attacks on critical infrastructure, including energy facilities. According to a study by the Kyiv School of Economics (KSE), the total amount of direct damage to Ukraine's infrastructure as a result of Russia's full-scale invasion reached almost \$170 billion. Compared to the beginning of 2024, this figure has increased by \$12.6 billion, which is the result of further destruction due to missile attacks and hostilities.

In 2024, Ukraine's real GDP grew by 3.4%, which is less than the NBU's previous forecast. The pace of economic growth also slowed compared to 2023. This was due not only to poorer harvests and somewhat weaker than expected external demand, but also to the realization of the risks of increased hostilities, intensified Russian air attacks, and related electricity shortages. The persistence of high security risks also deterred the return of migrants and caused a significant labour shortage.

In 2024, Ukraine received about USD 42 billion from international partners. In 2014, Ukraine received about USD 42 billion from international partners in the form of loans and grants. Thanks to these funds, the government was able to finance a significant budget deficit (about 24% of GDP excluding grants in revenues), and the NBU was able to maintain the stability of the foreign exchange market and increase international reserves to a record high (USD 43.8 billion at the end of 2024). In 2025, Ukraine is expected to receive USD 38.4 billion in external financing. USD of external financing. Taking into account the government's measures to increase its own revenues and borrowing on the domestic debt market, these funds should be enough to fully cover the planned budget deficit for this year (about 19% of GDP excluding grants in revenues) without resorting to emission sources.

In December 2024, inflation accelerated to 12% year-on-year. The high rate of growth in consumer prices was largely driven by temporary factors, primarily related to the effects of last year's poorer harvests. At the same time, underlying price pressures also increased. This was evidenced by a further acceleration in core inflation (to 10.7% in December), in particular due to a rapid rise in prices for services (12.5% in December). This price trend was driven by higher business costs for raw materials, supplies, and electricity, as well as by higher wages amid a persistent shortage of staff. At the same time, in recent months, price growth has been restrained to some extent by the strengthening of the hryvnia against the euro, which is important for Ukrainian imports.

Given the expected acceleration in inflation, the NBU stopped cutting its key policy rate in July 2024 and began a cycle of interest rate tightening at the end of the year. To curb inflation, the NBU decided to raise the key policy rate from 13.0% to 13.5% per annum effective December 13, 2024. This was the first increase since July 2023. The NBU's updated macroeconomic forecast envisages further tightening of interest rate policy in the first half of 2025 to contain inflationary pressures. In accordance with the decisions of the NBU Board dated January 23, 2025, and March 06, 2025, the NBU once again raised the key policy rate to 14.5% per annum and 15.5% per annum, respectively. These decisions, together with changes to the NBU's operational design parameters of its interest rate policy, are aimed at maintaining the attractiveness of hryvnia savings, preserving the stability of the foreign exchange market, and controlling inflation expectations, which should allow inflation to return to a steady decline towards the 5% target.

As part of its currency liberalization plan, the National Bank of Ukraine introduced a number of easements to currency restrictions in 2024. In particular, in relation to imports of services, works and intellectual property rights, payments under loan agreements with non-residents and payment of dividends.

In October 2024, the Verkhovna Rada of Ukraine adopted Law No. 4015-IX "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine on Ensuring the Balance of Budget Revenues during the Period of Martial Law", which determined an increase in tax rates to increase state budget revenues, which in turn may significantly affect the business environment in Ukraine. In particular, the amendments introduced an increase in the rate of the military tax on personal income from 1.5% to 5% and the retroactive application of the increased basic income tax rate for banks of 50% to all taxable income in 2024.

Ukraine's banking system is generally profitable. According to preliminary data for the annual audit, banks earned UAH 103.7 billion in profit in 2024. The strong financial result and the repeated retrospective increase in the corporate income tax rate to 50% increased the amount of income taxes accrued by banks in 2024 to UAH 83.7 billion (in 2023, banks received UAH 83 billion of net profit after accruing UAH 77 billion of income tax at the increased rate of 50%).

In the reporting year, the net hryvnia loan portfolio of businesses grew by 21%, and that of households by almost 40%. Investments in domestic government bonds remain a significant factor in maintaining the banks' profitability in 2024, with their volume increasing by 35% over the year. In December, the volume of net fee and commission income for the year also increased by 11.3% and reached the pre-war level for the first time since the full-scale war.

In 2024, the banking system of Ukraine successfully completed the second stage of transition to a new three-tier capital structure in accordance with EU requirements and as of January 1, 2025, maintains a sufficient capital buffer at all levels. In accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" effective from August 5, 2024, banks switched to a three-tier capital structure and new capital adequacy ratios with a number of transitional provisions, including a phased schedule for achieving the minimum regulatory capital adequacy ratio, namely

from August 5, 2024, to December 31, 2024 - in the amount of not less than 8.5%;

from January 1, 2025 to June 30, 2025 - not less than 9.25%;

from July 1, 2025 - not less than 10%.

Regulatory capital adequacy remained high at around 17% as of January 1, 2025. Despite further increases in administrative expenses, banks' operating efficiency remains high.

In general, all banks comply with the minimum capital adequacy requirements of all levels as of January 1, 2025. At the same time, the NBU expects that, given the repeated retroactive increase in the corporate income tax rate, some banks will see a decrease in their capital adequacy ratios after reflecting the tax increase and lower profits in 2024.

The Russian aggression poses a risk of further decline in economic potential, in particular due to the loss of people, territories and production facilities. The speed of the economy's return to normal operating conditions will depend on the nature and duration of hostilities. The main risks caused by the Russian aggression remain unchanged: additional budgetary needs, primarily to maintain defence capabilities; possible additional tax increases, which, depending on the parameters, may increase price pressure; further damage to infrastructure, primarily energy infrastructure, which will limit economic activity and put pressure on prices from the supply side; deepening of negative migration trends and further expansion of the labour shortage in the domestic labour market. There are also risks that international aid will become less rhythmic and that foreign economic trends will be less favourable than currently expected, in particular due to greater geopolitical polarization and the corresponding fragmentation of global trade. However, positive scenarios may also materialize, primarily due to increased financial support from partners (in particular, by using the bulk of immobilized Russian assets to compensate for Ukraine's losses) and the international community's efforts to ensure a just and lasting peace for Ukraine. In addition, it is possible to further accelerate European integration processes and rebuild infrastructure, including power generation.

Problems of financial and economic development of Ukraine, shortage of qualified specialists, energy security for business these factors created challenges to stimulate the development of new approaches and innovations - companies actively developed their presence on the Internet, optimizing their sales through online stores, using artificial intelligence to optimize business processes, implementing environmentally friendly practices and sustainable development strategies, introducing e-commerce through new social media platforms, which required adaptation of marketing

Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, although a further unstable business environment could negatively affect the Bank's results and financial position in a manner not currently determinable. These annual financial statements reflect management's current assessment of the Ukrainian business environment and the impact of the Ukrainian business climate on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

3. Goals and strategies of management

Bank Credit Dnepr is a universal bank, operating throughout the country, engaging in transparent business and valuing its reputation.

Strategic goals of the Bank are based on principles of maximal profitability of capital, meeting of demands of real sector of economy, improvement of risk management in the Bank.

Perspective plans of Bank development include:

- increase in the Bank's market capitalization by increasing the amount of equity capital while achieving its optimal profitability and adequacy; diversification of the customer base through the development of retail business, MSME, and attracting new corporate clients;
- Diversification of the Corporate and Agro loan portfolio, development of lending to the agricultural sector in new regions, development of lending to MSMEs, increase in volumes and development of new lending channels;
- increase of non-interest income, increase of liabilities by working with existing clients and attracting new clients, active growth of diversified resources of MSME, maintaining the volume of FX operations.
- Development of small and medium-sized businesses by creating passive and convenient settlement products that will address the daily needs of customers in this segment, as well as by increasing lending to small agricultural enterprises;
- development of retail business by increasing lending to individuals through cash loans and card products, development of targeted lending, in particular, mortgage lending, commodity lending, lending for services, development of VIP banking and innovative deposit products;
- development of remote service and sales channels, development of more user-friendly banking products and automation of banking processes.

The main criteria for the Bank's success are the achievement of key performance indicators (KPIs), namely: operating profit, CIR, number of active customers, loan portfolio by key business lines, portfolio of customer balances, NIM, ROA, ROE, commission and trading income, development of operations in financial markets and flexible management of the securities portfolio. The Bank regularly monitors the implementation of its performance targets.

The Bank's strategic vision is to grow as a universal bank with the development of all segment areas (business lines): large and medium-sized businesses, small and micro businesses, and retail business, each of which has its own focus and goals, without losing synergy opportunities between business lines.

The corporate business area will be developed by actively attracting medium-sized clients for cash and settlement services to form a more diversified liability base, as well as by continuing cooperation with key business clients and prudently increasing the loan portfolio in industries that have adapted to the current macroeconomic environment.

The Bank plans to revive lending to corporate clients, which should ensure gradual annual growth of the portfolio through

- industry specialization - in target industries with the highest development potential;
- financing that meets the needs and plans of the client, including investment, project financing and leasing in selected target industries;
- focus on prudent risk-taking based on a deep understanding of customer characteristics, instead of price competition;
- high-quality operational customer service, combining a developed platform of remote channels with the professionalism of the team.

For financing corporate clients, the Bank's strategic interests are based on the following sectors of the economy: those that are key to the economy of Ukraine (or the respective region); demonstrate long-term development capability or reliable stability; create new jobs; are export-oriented and are associated with modern technologies.

The Bank prioritizes the following industries and sectors of the economy: agriculture (crop production/storage, livestock, poultry); agricultural processing (cereals, oilseeds, meat and dairy, fruit and vegetable preservation); agricultural trade, wholesale trade in other types of goods, logistics; gas production and trade; trade in agricultural machinery; energy sector; road construction, including production/trade of materials for road construction; other industries that are promising in certain periods of time, according to market analysis.

The development of small and micro business is aimed at:

- continuing to attract liabilities, with a focus on more sustainable ones - settlement ones;
- development of lending as one of the anchor products for the formation of the settlement client core;
- development of product and service offer for all sub-segments of MSME;
- improving the efficiency of existing sales channels based on customer analytics and process automation;
- development of new sales channels, including partner, agency and remote sales channels.

In the area of retail customer service, the Bank plans to actively increase retail lending. Along with standard loan products, it is planned to launch and scale up new partnership products for commodity lending: POS, BNPL, and targeted loans; resumption of mortgage lending; provision of additional services for its customers with a focus on the development of the digital platform; personalization of product offers.

An important aspect of the growth of customer accounts is an active policy to grow the customer base by:

- maintaining the reputation of a reliable and high-tech bank;
- ensuring a high level of customer service, including prompt and efficient resolution of their requests and problems;
- expanding the range of products and services that meet the different needs of customers and ensure their satisfaction;
- conducting marketing campaigns to attract new customers and retain existing ones, using promotions, loyalty programs and bonuses;
- Implementation and continuous improvement of modern technologies, such as mobile applications and online platforms, for convenient and accessible customer service.

4. Resources, sustainable development

Equity

During the reporting year, the Bank's equity increased by 18.5% and amounted to UAH 2,482.6 million as of the end of the day on December 31, 2024. In the structure of the Bank's liabilities, the share of equity as of December 31, 2024, is 9.9% (2023: 10.0%).

The authorized share capital remained unchanged during 2024 and as of the end of the day on December 31, 2024, the approved and registered share capital of the Bank amounted to UAH 3,587 million.

Dynamics of components of equity

	<i>31.12.2024</i>	<i>31.12.2023</i>	<i>Growth, UAH million</i>	<i>Growth rate, %</i>
Issued capital	3 586.5	3 586.5	0.0	0.0%
Accumulated deficit	-1 649.9	-1 810.6	160.7	-8.9%
Share premium	17.5	17.5	0.0	0.0%
Reserve and other funds	75.7	61.4	14.3	23.3%
Other reserves	452.8	240.4	212.4	88.4%
Total equity	2 482.6	2 095.2	387.4	18.5%

Due to customers

As at December 31, 2024, the share of customer accounts in the structure of the Bank's liabilities was 87.1% (2023: 88.4%).

The Bank's customers are a significant number of individuals and small, medium and large enterprises from various industries. The Bank's resource base is diversified by sources of attraction (funds of individuals and business entities), and funds of business entities - by types of economic activity. These factors reduce the Bank's sensitivity to liquidity risk.

As of the end of 2024, the amount of customer accounts amounted to UAH 21,780.1 million (2023: UAH 18,476.5 million), which is 96.7% of the Bank's total liabilities. In the structure of customer accounts as at December 31, 2024, the share of term deposits was 28.8% (2023: 49.6%), a decrease mainly due to short-term deposits from legal entities. Funds on corporate accounts increased by UAH 3,239.0 million (+23.8%) to UAH 16,838.3 million, and funds on retail accounts increased by UAH 64.5 million (+1.3%) to UAH 4,941.7 million. As a result, the share of corporate customer accounts in total customer accounts increased from 73.6% to 77.3%, while retail customer accounts decreased from 26.4% to 22.7%.

The Bank uses derivative financial instruments (derivative contracts), such as forward foreign exchange contracts, currency and interest rate swaps, to manage currency, interest rate and other risks. As at 31 December 2024, the Bank entered into two interest rate swap agreements with the National Bank of Ukraine for the total amount of UAH 1,140,000 thousand (2023: UAH 1,140,000 thousand), under which the Bank pays a fixed interest rate, and the National Bank of Ukraine pays a floating interest rate.

The Bank has a significant amount of sufficiently stable funds raised from companies that are recognized as related to the Bank in accordance with the requirements of the NBU regulations, which has a positive impact on the Bank's liquidity position. As of the end of the day on December 31, 2024, the amount of funds raised from related parties amounted to UAH 1,399.7 million.

The Bank fulfils its obligations to its depositors and creditors on time and in full.

The share of the Bank's highly liquid assets (cash and cash equivalents, due from other banks, investments in NBU deposit certificates and G7 government debt securities) was high at 66% of liabilities. Funds on the correspondent account with

the National Bank of Ukraine are maintained in the amount necessary for current customer service and fulfilment of its own obligations, in particular, the formation and storage of mandatory reserves. The vast majority of funds on nostro accounts are placed with investment grade non-resident banks.

As of the end of 2024, the Bank's liquidity ratios were above the regulatory requirements set by the National Bank of Ukraine:

- the actual arithmetic average value of the liquidity coverage ratio LCR (in all currencies) was 166%, while the prescribed minimum value was 100%;
- the actual arithmetic average value of the LCR liquidity coverage ratio (in foreign currency) was 380%, with the prescribed minimum value of 100%;
- the net stable funding ratio NSFR was 158% with the prescribed minimum value of 100%.

This level of liquidity is the result of systematic actions of the management to ensure diversified and stable sources of funding, creation of a significant stock of highly liquid assets to ensure continuous payments by the Bank's customers.

Human resources, intellectual capital and social policy of the Bank

CREDIT DNEPR BANK JSC is a reliable employer at Ukrainian market.

Employees of the Bank are its major capital and precondition of its effectiveness and sustainability. Thus, the Bank attracts leading experts, whose level of professional training, qualification (set by knowledge, experience, skills, work attitude) make it possible to perform its professional functions, solve the related matters, quickly reacting to realities and market trends.

As at 31.12.2024, the number of the Bank's employees (excluding employees on parental leave) amounted to 764, of which 65% were women. The share of women in management positions in the total number of the Management Board and heads of the Bank's independent structural units is 49%.

The share of employees with higher education is 89% of the total number of employees.

The Bank's human resources policy is based on the strategic goals of its development, taking into account the priorities of individual business lines and the potential of each employee. It is aimed at ensuring the professional development of staff, stimulating their career growth, and supporting corporate values.

The Bank creates modern and comfortable working conditions to build a cohesive and efficient team.

The Bank's social position as an employer is to provide its employees with competitive working conditions, motivation, social security and safety.

Each employee of the Bank has official employment with the opportunity to choose a convenient schedule and work format (including hybrid or remote), timely payment of salaries, participation in incentive programs, two additional vacation days, voluntary health insurance, and opportunities for professional development.

All those wishing to work in the Bank have equal rights when applying for vacant positions, except as provided by the laws of Ukraine.

The Bank has created the necessary working conditions in accordance with the requirements of the current legislation. Internal Labor Regulations and Labor Protection Rules are in effect. Offices are equipped with detectors, including airborne alarms. To create comfortable working conditions for employees, the Bank's offices are equipped with canteens, microwave ovens, and coffee makers. The Bank provides employees with drinking water. In 2024, the children's room for children of Kyiv employees continued to operate.

The Bank cares about the physical and psychological health of its employees. Voluntary health insurance allows us to take preventive measures to maintain the health of the Bank's employees. For psychological relief, yoga and Latin American dance classes are organized, which can also be joined online. Workshops on mental health topics are held, such as: "First Aid Skills", "First Psychological Aid: Skills of Self-Control and Mutual Support", "Emotional Burnout: Techniques for Preserving Resources in the Workplace"; "Stress Resilience or Stress as a Resource".

The Bank respects personal freedom, human rights and dignity, ensures equal rights and opportunities for women and men, does not allow any direct or indirect discrimination based on gender, age, race, sexual orientation and self-identification, language, ethnicity, nationality, religious beliefs or various types of disability, etc. The Bank appreciates teamwork, which takes into account the opinion of everyone.

Corporate culture of the Bank is formed in line with the Code of corporate ethics that carries corporate values of the Bank, major of them being:

- Simplicity. The Bank offers simple and understandable solutions and values the time of its customers.
- Efficiency. The Bank combines new approaches and rationality, effectively implementing new solutions to stay ahead of trends.
- Partnership. The Bank understands the needs of its customers, builds long-lasting relations by being a reliable partner.

- Team. All Bank employees grow and develop like a single team of motivated professionals.

Code of corporate ethics is published at official site of the Bank www.creditdnepr.com.ua, link to: <https://creditdnepr.com.ua/pro-bank/compliance>.

Each employee of the Bank is responsible for his/her behaviour, compliance with laws and internal rules and regulations, Code of corporate ethics, corporate principles and standards.

Remuneration policy of the Bank is gender neutral based on the principle of equal remuneration of males and females for equal work or work of equal value.

Particular attention is paid to training, development and motivation of employees, which contributes to the creation of an effective team capable of ensuring the successful implementation of the Bank's strategic goals and maintaining its competitiveness in the market.

The remuneration of the Bank's employees is based on their individual achievements in terms of key performance indicators, as well as their contribution to the Bank's overall financial performance. This approach provides fair motivation and stimulates professional growth.

In 2024, one of the conditions for employee bonuses was the implementation of the Bank's strategic and key projects aimed at ensuring sustainable development in accordance with the Bank's strategy. This contributed to the synergy of interaction between employees of different departments, increased employee responsibility, and allowed us to achieve our goals for 2024.

The Bank's employees have the opportunity to actively develop their professional skills by participating in training programs, seminars, qualification events and experience exchange. The basis of this process is the distance learning system, which is the basic platform in the employee training process.

In order to develop its staff professionally and maintain a high level of competence, the Bank is gradually switching from distance learning to face-to-face training. In 2024, training programs, seminars and workshops were held in the format of mini-sessions in Kyiv, Dnipro and Lviv, taking into account the current security situation. In addition, training events were held through corporate online platforms such as WorkChat and Zoom.

For each business line, the Bank holds annual business meetings that facilitate the exchange of ideas, analysis of achievements in the previous period and setting strategic goals for the future. Such meetings help to enhance teamwork, strengthen the sense of unity among employees and increase the overall efficiency of the Bank.

In 2024, the Bank launched the Brand Ambassador and Best Cross-Functional Communication awards. This initiative is aimed at increasing employee motivation, developing effective communication between departments and emphasizing the key role of teamwork in achieving the Bank's common goals. It also promotes a positive working environment and recognizes the contribution of each employee to the success of the organization.

The career development stories published on the Bank's portal present successful examples of employee development and are aimed at motivating employees to improve their skills, inspiring them to achieve their goals and emphasizing career opportunities at the Bank.

The Bank has implemented a set of measures aimed at maintaining business continuity, ensuring synchronized succession of the Management Board members and other managers of the Bank - the process of succession planning and formation of a talent pool. Identification of the Bank's employees who have the potential to be included in the talent pool contributes to effective management succession, enhancing long-term strategic planning, developing employee competencies and creating a stable basis for personnel management. It also helps to increase the level of professionalism and motivation of employees who see clear career prospects and feel valued within the Bank.

Fighting against corruption

In order to create an effective system for preventing and combating corruption, reducing corruption risks and related reputational or financial losses, the Bank has developed the Policy for Prevention of Corruption and Bribery in JSC "BANK CREDIT DNEPR", approved by the decision of the Supervisory Board of the Bank dated 23.06.2023 No. 18. The Bank declares that the Bank's employees in their activities, as well as in their relations with clients and partners, counterparties, public authorities, local governments, are guided by the principle of "zero tolerance" to any manifestations of corruption and will take all measures provided for by law to prevent, detect and combat corruption and related actions. The Bank has implemented controls to prevent corruption. The Policy is available on the Bank's official website www.creditdnepr.com.ua at the link: <https://creditdnepr.com.ua/pro-bank/compliance>.

Technological resources

The Bank has adequate technical and technological base, providing for the ability to deliver effective bank services to customers, quickly introduce new products, perform transactions, register them in accounting systems in time and in full, providing for integrity and confidentiality of information, its storage, form respective reports and statements, etc.

The Bank has a wide range of modern technological resources:

- Automated system of accounting of banking transactions;
- Internet banking and mobile app for online servicing of customers and easy access to banking services;
- Automated system of 'credit factory' for receipt and processing of loan applications, permitting customers to apply for loans online and get decisions quickly;
- Integration with different e-payment systems for comfortable and safe payments by customers;
- Systems of data analysis and business intellect assisting Bank managers in taking strategic decisions based on analysis of market trends and behaviour of customers;
- Systems of protection of information and customers' data, detection and prevention of digital attacks and fraud;
- Systems of ensuring continuous operations and duplicating systems and data in cloud technologies;
- CRM-systems for effective interactions with customers, provision of personalized services and formation of long-term relations.

These technological resources help the Bank to improve the efficiency of its work, provide flexibility to customers and the safety of financial transactions.

Organization of the environmental and social management system, principles of sustainable development

In 2024, the Bank continued to consistently integrate ESG aspects into its activities, affirming the principles of sustainable development. The Bank demonstrates that it is not only focused on making a profit but also takes into account the impact of its actions on the environment, social conditions and economic stability. By adhering to the principles of environmental and social responsibility, the Bank contributes to the long-term well-being of society and sustainable economic growth.

In the reporting year, the Bank's Supervisory Board approved the Environmental and Social Responsibility Policy, which is a guiding document that defines the Bank's standards, principles and approaches to achieving sustainable development goals. In particular, the document outlines the tools for managing environmental and social risks of projects financed by the Bank, establishes general reporting requirements, etc., taking into account the need to address environmental, social, and occupational health and safety issues. The purpose of the Policy is to integrate environmental and social aspects into all of the Bank's business processes, from strategic planning to daily operations. In this way, the Bank has consolidated its commitment to adhere to the principles of sustainable development and responsible business conduct at the highest level.

The Bank integrates ESG factors in a comprehensive manner through policies, procedures and corporate culture. In particular, the Bank ensures proper identification, mitigation and management of environmental and social risks and impacts associated with projects and programs implemented by the Bank in cooperation with non-bank financial institutions financed by the World Bank, KfW, etc., as well as in cooperation with other Funds/organizations if they have separate requirements for the Environmental and Social Management System. Environmental and social screening and risk categorization are carried out. Based on the results of the assessment, the Bank applies appropriate risk management tools to the financed projects as provided for in the Policy and the implemented Environmental and Social Management System (EMS). The Bank ensures continuous training and improvement of the knowledge and skills of the Bank's employees involved in the process of financing clients within the framework of projects with EMS requirements.

The Bank has adapted its operations to new legislative requirements and international standards. In particular, the lending processes have been implemented to take into account the terms of the World Bank's Environmental and Social Standards when granting loans to agricultural enterprises under the state program "Affordable Loans 5-7-9%" (as amended by CMU Resolution No. 28 of 24.01.2020). This ensures that borrowers comply with environmental, labour and community safety requirements while receiving concessional financing.

An important component of the integration of ESG principles was the development of a dialogue with stakeholders. In 2024, the Bank modernized the mechanism for addressing requests and complaints: a special form was improved on the official website, which allows any stakeholder to submit (including anonymously) a request or complaint, including on the environmental, social and governance aspects of the Bank's activities or projects it has financed. This step increases the Bank's transparency and accountability, ensuring timely identification and response to possible ESG issues.

During the year, the Bank successfully completed comprehensive environmental and social due diligence (ESDD) conducted by the Entrepreneurship Development Fund with the support of the World Bank. Importantly, based on the results of the ESDD, the Bank's EMS confirmed its compliance with the World Bank's Environmental and Social Standards (ESF 1-10). Compliance with these standards demonstrates that the Bank's approaches to environmental and social management are in line with the best international practices.

In the reporting period, the Bank joined the Ukraine Business Compact (UBC) initiative. Participation in the UBC strengthens the Bank's image as a socially responsible institution that supports global standards of sustainable development, ethical business practices and is guided by principles aimed at sustainable economic recovery and reconstruction of Ukraine.

The implementation of the above measures has significantly strengthened the Bank's position in the field of sustainable development and had a positive impact on its long-term stability. Consistent integration of ESG aspects into corporate governance and business processes helps to better manage risks and opportunities. Due to the implementation of the EMS and compliance with international standards, the Bank minimizes environmental and social risks in its operations, which

contributes to the reliability of the loan portfolio and reduces reputational risks. The Bank's achievements are the result of a balanced and responsible strategy focused on sustainable growth.

The Bank's active participation in social and environmental initiatives strengthens its brand and customer confidence. Supporting our soldiers and medics, participating in the restoration of critical infrastructure and helping communities strengthen the Bank's reputation as a reliable partner working in the public interest. This opens up new opportunities for cooperation with international financial organizations and donors who value commitment to ESG principles.

Besides, adherence to the principles of sustainable development within the organization (in particular, caring for employees, supporting their professional development and well-being) contributes to increased productivity and staff loyalty. Such attention to social aspects within the team ensures the stability of the Bank's operations and its ability to respond effectively to challenges.

As a result, building an effective Environmental and Social Management System and implementing the principles of sustainable development have not only fulfilled regulatory or ethical requirements, but also expanded opportunities for growth and laid the foundation for long-term development for the benefit of both the Shareholder and all stakeholders. The Bank will continue to improve its ESG strategy, contributing to the sustainable development of Ukraine's economy and the welfare of society.

5. Risks

Risks are inherent to banking. The Bank implemented organizational structure of risk management system, ensuring clear segregation of functions, duties and powers between all subjects of risk management system and Bank employees, including respective responsibilities under this segregation. Risk management system corresponds to size, business model, scope of operations, types and complexity of Bank transactions, providing for detection, assessment, monitoring, reporting, control and reduction of all significant risks of the Bank to define the equity of the Bank, necessary to cover all significant inherent risks (internal capital), and maintain regulatory ratios of capital adequacy and liquidity.

Determination of the level of risk appetite

Current Risk Appetite Statement of the Bank is aimed at determination of aggregated size of risk appetite, types of risks that the Bank is inclined to accept or evade to reach its business goals, defining the level of risk appetite for each risk. The purpose of the Risk Appetite Statement is the organization of a clear process of effective risk management based on limits and triggers for each type of risks, set by the Bank.

Risk Appetite Statement establishes levels of tolerance to risks in Bank operations. Hierarchical structure of permissible levels of risks, risk appetite, limits of risks and risk profile is as follows:

- Acceptable risk level
- Risk appetite
- Risk limits.

Acceptable risk level and aggregated level of risk appetite are based on the principle of the necessity to keep the ration of adequacy of regulatory capital by the Bank (H2) above regulatory requirements, providing for capital buffer and liquidity, meeting market expectations in standard and unfavourable scenarios. The scope of capital buffer is determined based on Bank's expectations in accordance with the strategy of its development and probability of realization of unfavourable scenarios, at the same time depending on current situation in financial and economic sector and existing macroeconomic expectations.

Risk appetite is defined as maximal level of risk that the Bank is ready to accept to reach its strategic goals. When setting risk appetite, the Border and Warning limits are set for each index. The violation of Warning limit requires taking of steps necessary to prevent violation of Border limit and comply with the procedure of escalation of violations as demanded by Strategy of risk management in BANK CREDIT DNIPRO JSC. Aggregated scope of risk appetite is determined within the limits of permissible level or risk, considering the requirement to provide for necessary resource, time to implement the steps to maximally reduce probability of excess of permissible risk level.

Risk appetite for certain types of risks is set in advance within the range of acceptable/aggregated risk level. Risk appetite for separate risks is defined based on expediency/need to have risky positions to reach strategic goals and execution of business plan. The Bank does not include liquidity risk into aggregated level of risk appetite measuring it separately.

The major purpose of the system of limits is provision for formation of structure of Bank assets and liabilities that is adequate to the nature and size of the Bank. All major decisions on management of assets and liabilities are analysed for compliance with the pre-set limits.

The Bank performs an integral assessment of the following significant risks as set by the above Risk Appetite Statement: credit risk, liquidity risk, interest rate risk of banking book, market risk, operational risk, compliance risk and strategic risk.

The process of independent control of risks does not belong to operational risks, such as changes in environment, technological changes and changes in the industry. The Bank controls these risks in the process of strategic planning Risk management structure.

Risk management structure

Subjects of risk management system of the Bank are:

Supervisory Board and its committees:

- Risk management committee;
- Audit committee;
- Business committee;
- Nomination and Remuneration Committee.

Management Board and its collegial bodies:

I level:

- Assets-and-Liabilities management committee;
- Private individuals' business committee;
- Corporate business committee;
- Small and microbusiness committee;
- Committee of operating, compliance risks and information safety;
- Financial monitoring committee;
- Non-performing assets committee;
- Strategic development and Bank transformation committee.

II level:

- Small corporate business committee;
- Small committee on small and micro business;
- Authorized persons under expert lines/functions.
- Internal audit department (third line of defence);
- Risk director (CRO) and risk management department (second line of defence);
- Head of compliance department (CCO) and compliance department (second line of defence);
- Business departments and support departments (first line of defence)

Risk management functions are allocated as follows:

Supervisory Board. The Supervisory Board determines the overall risk management strategy of the Bank, participates in the overall risk management and has the right to establish other committees, delegating certain risk management powers to them. The Supervisory Board is responsible for establishing an integrated, adequate and effective system of risk management to which the Bank is exposed in its activities.

Committees of the Supervisory Board are permanent advisory bodies established under the Supervisory Board to ensure the continuity of management of the Bank's activities, preliminary processing and provision of conclusions and recommendations to the Supervisory Board and the Management Board of the Bank on certain issues of the Bank's activities within the competence of the relevant Committee. The Committees of the Supervisory Board are also authorized to monitor the functioning of the internal control system, monitor the implementation of management decisions, evaluate the performance of collegial bodies, structural units of the Bank and responsible persons of the Bank, control activities in certain areas and other issues within the competence of the Committees.

Management Board. The Management Board (the Board) implements tasks and decisions of Supervisory Board of the Bank on risk management system, including Strategy and Policies of risk management, Culture of risk management, procedures, methods and other measures of effective risk management.

Committees. In the process of performing the risk control and management function, the Management Board (the first line of defence) delegates part of its functions, powers and direct risk management to specialized collegial bodies:

- Assets and Liabilities Committee (hereinafter - ALMC) - management of the Bank's asset and liability transactions and risks arising from such transactions (liquidity risk, interest rate risk of the banking book and market risks), as well as implementation of the principle of collegiality in decision-making on regulation of limits and thresholds of banking products, operations necessary for the successful implementation of the Bank's budget;
- Retail Banking Committee (hereinafter referred to as the RBC) is a committee of the Bank established to effectively manage the business with individuals and related risks;
- Corporate Business Committee (CBC), Small Corporate Business Committee (SCC) and Small and Micro Business Committee (SMBC), Small and Micro Business Committee (SMMC) - committees of the Bank established for the purpose of effective management of business with legal entities and related risks;
- Operational, Compliance and Information Security Committee - (OCR&ISC) - a committee of the Bank established to manage operational and compliance risks, as well as information security issues;
- Problem Assets Committee (hereinafter referred to as the PAC) - a committee of the Bank established by the Management Board to manage, organize and control the work with the Bank's problem assets;

- Bank Strategic Development and Transformation Committee (hereinafter referred to as the “BSTC”) is a committee of the Bank established to manage projects and transformation of the Bank, which determines the Bank's strategy in terms of its transformation, in the areas of process optimization and digital changes, as well as ensuring business continuity;
- Financial Monitoring Committee (hereinafter referred to as the “FMC”) is a standing committee of the Bank on financial monitoring, including the prevention of legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction.

Business departments. Business departments are the first line of defence and are responsible for managing and monitoring risks and compliance with established limits at their level. This level also ensures the collection of complete, reliable and timely information in the risk assessment and risk reporting system.

Second line of defence. The Bank's Supervisory Board has established permanent risk management units: Risk Management Department, Corporate Risk Management Department, Retail Credit Analysis Department, Collateral Valuation and Monitoring Department, and Compliance Department, and ensures the independence of these departments.

Risk Management Department, Corporate Risk Management Department, Retail Credit Analysis Department, Collateral Valuation and Monitoring Department. The risk management units report to the Chief Risk Officer, who has the right to attend meetings of the Bank's Management Board and specialized committees established by the Management Board and to impose a ban (veto) on decisions of these bodies if the implementation of such decisions will lead to a violation of the established risk appetite and/or approved risk limits, and immediately informs the Bank's Supervisory Board and/or Risk Management Committee of such decisions.

Compliance Department. The Chief Compliance Officer (CCO) is responsible for the activities of the unit, has the right to attend meetings of the Bank's Management Board, specialized committees established by the Management Board, and to impose a ban (veto) on decisions of these bodies if the implementation of such decisions will lead to violation of the requirements of the law, relevant standards of professional associations applicable to the Bank, conflict of interest, and informs the Bank's Supervisory Board and/or Risk Management Committee of such decisions within the time limits established by the Bank's internal documents.

Internal audit. The Internal Audit Department periodically audits the Bank's risk management processes, which includes reviewing both the adequacy of the procedures and the Bank's compliance with these procedures.

Credit risk

Credit risk is the risk of financial loss or additional loss, or shortage of planned revenue for the Bank resulting from non-compliance of a borrower or a counterpart with contractual obligations. The Bank implements conservative crediting policies. The borrowers receive credit products only after assessment of all possible risks related to the business of the borrowers. The Bank diversifies credit portfolio by risk groups, avoiding loans to borrowers with high level of credit risk.

Major methods of credit-risk management are:

- Setting general criteria of crediting eligibility;
- Setting of general crediting terms;
- Setting rules of approval of credit decisions;
- Approval of approaches to loan administering and monitoring;
- Approval of approaches to timely identification and management of non-performing assets;
- Stress testing of credit risk;
- Forming of allowances in accordance with IFRS and measurement of level of credit risk in line with NBU requirements;
- Introduction of limits limiting credit risk, including limits of concentration;
- Establishment of border values of mandatory standards in line with current law and internal regulations of the Bank.

Credit quality of financial assets

The Bank manages the credit quality of financial assets using an internal system of control over risk levels relevant to counterparts and individual portfolios of assets. The system provides focused management of existing risks, making it possible to compare credit risk for different lines of business, geographical areas and products. The system is based on financial-analytical methods and processed market data as basic data to assess risk of debtors/counterparts.

Management measures impairment of loans to customers by assessment of probability of repayment and collection of advances based on analysis of individual material loans and aggregated loans with similar terms and risk characteristics. Factors to be taken into consideration for assessment of individual loans include history of repayments, current financial position of a borrower, timeliness of repayment and collateral, timeframe to pay interest, conditions of the economic branch, where a borrower operates, etc. Management assesses amounts and terms of future payments to repay principal and interest under a loan and possible income from sale of pledged collateral.

Specific key risks during the reporting period were the risk of low-quality servicing of debts by borrowers through significant damage to their assets, loss or decrease of number of counterparts/sources of income resulting from active hostilities. The Bank uses limitation of active transactions by geographical indication to reduce these risks. An additional possibility for the Bank is an increase in crediting in the areas where the above risks are less evident

Liquidity risk

Liquidity risk is the risk of impossibility to finance assets in proper terms at proper rates and risk of non-compliance of the Bank with its terms of payments for liabilities at their maturities. Liquidity risk arises in overall financing of operations and management of positions. It includes the risk of impossibility to finance assets in proper terms at proper rates and risk of non-compliance of the Bank with its terms of payments for liabilities at their maturities in usual or unforeseen circumstances.

The purpose of liquidity risk management is to ensure that the Bank has sufficient cash to meet its obligations in due time, minimizing the negative impact of imbalances between liquid assets and liabilities in the respective time periods, both in normal and stressful situations, and minimizing related unacceptable losses/increased costs, which in turn may have a negative impact on the Bank's profit and capital. To achieve this goal, the liquidity risk management is aimed at solving the following tasks:

- Forecasting/preventing the probable occurrence of the Bank's liquidity risk that exceeds the established risk appetite values;
- assessment of possible losses due to liquidity risk realization and analysis of sources of their compensation;
- implementation of effective and efficient measures to minimize the negative impact of liquidity risk.

In the process of liquidity management, the Bank is guided by the following basic principles:

- liquidity risk management is a continuous process that takes into account changes in both the Bank's internal financial position and changes in financial markets;
- the Bank has implemented centralized liquidity management - the overall liquidity management is entrusted to the ALMC;
- integrated liquidity management means simultaneous management of both the Bank's assets and liabilities by maturity and currency;
- authorities and responsibilities for liquidity management are clearly allocated between the Bank's management bodies/business units/risk management units;
- the Bank ensures proper internal control over liquidity risk by strictly following internal procedures and continuously monitoring compliance with the relevant limits (restrictions);
- the Bank shall ensure the availability and effective functioning of appropriate information systems for identifying, analysing and assessing liquidity risk, and shall maintain and support them;
- when making decisions, the Bank shall resolve the conflict between profitability and liquidity in favour of liquidity;
- when making decisions on entering into material transactions, they are preliminarily analysed for compliance with the current liquidity position, liquidity risk limits and impact on risk appetite;
- the Bank takes into account the costs of maintaining a sufficient level of liquidity in the internal pricing procedures for its products when determining transfer prices (rates) for the redistribution of financial resources within the Bank;

The Bank ensures the development, implementation and maintenance of documents defining available sources of funding and the procedure for dealing with liquidity crises (taking into account both external and internal factors of the crisis). To assess this risk, the Bank uses the following tools:

- daily reporting on instant liquidity and monitoring compliance with the established values of LCR and NSFR liquidity ratios;
- weekly reporting, which assesses the Bank's liquidity on the horizon up to 1 month;
- monthly GAP analysis of structural liquidity over longer time horizons, which is performed by national and foreign currencies, and uses both contractual maturities and historical cash flows on customer accounts;
- monthly analysis of concentrations by segments and customers/groups of customers.

As a result of a comprehensive ongoing review of these reports, the Bank is able to promptly identify increased liquidity risk and take measures to mitigate it, if necessary.

The Bank's general approach to mitigating this risk is to maintain a buffer of highly liquid, unencumbered assets in an amount that allows it to cover both expected contractual outflows and possible payments under the volatile portion of customer current accounts. When placing assets in various financial instruments, the Bank strictly considers the term of available resources, both contractual and calculated in accordance with historical stability, as well as their volume. The Bank calculates the costs of maintaining an adequate level of liquidity in the internal pricing of its products.

The Bank actively maintains diversified and stable funding sources, including corporate and retail deposits and diversified portfolios of highly liquid assets, to be able to meet unforeseen liquidity needs quickly and smoothly.

In a general sense, unconcentrated sources of funding (funds of small and micro business clients and individuals) are a priority source for the Bank's financing of long-term active operations regardless of market and macroeconomic conditions. Increasing the share of funds from these segments is considered by the Bank as a priority.

In order to maintain short-term liquidity, the Bank attracts short-term deposits, performs transactions on purchase/sale of foreign currency and securities, including by entering into swap and repurchase agreements.

Short-term funding sources are primarily used to invest in short-term treasury assets: NBU certificates of deposit, government bonds and treasury bonds of countries with international investment grade ratings.

To maintain long-term liquidity, the Bank attracts medium- and long-term deposits, enters into transactions for the purchase and sale of securities, regulates its interest rate policy and controls expenses. In managing liquidity, the Bank takes into account the need to maintain obligatory reserves with the National Bank of Ukraine, the amount of which depends, in particular, on the volume and structure of customer accounts.

Interest risk of banking book

Interest rate risk of banking book includes the following risks:

- Risk of gaps caused by difference in terms of repayment (for instruments with fixed interest rate) or change of index of interest rate (for instruments with floating interest rate) of assets, liabilities and off-balance positions of banking book;
- Basis risk, caused by absence of close relation between adjustment of rates, received and paid under different instruments, when all other characteristics are similar;
- The risk of negative revaluation of the NBU interest rate swap;
- The risk of negative revaluation of the portfolio of state bonds and other sovereign securities.

Interest rate risk is measured by the extent to which changes in market interest rates affect the Bank's net interest income (NII), the economic value of equity (EVE) and the value of the portfolio of government bonds and other sovereign securities in the banking book. To the extent that the terms of interest earning assets differ from the terms of interest-bearing liabilities, net interest income will increase or decrease as a result of changes in interest rates. In order to manage interest rate risk in the banking book, the Bank's management constantly evaluates the gaps in the Bank's assets and liabilities by maturity and currency, market interest rates for different types of interest-bearing assets and liabilities.

Interest margins on assets and liabilities with different maturities may increase as a result of changes in market interest rates. In practice, the Bank changes interest rates for assets and liabilities based on current market conditions and mutual agreements with customers.

To assess the risk, the Bank measures its possible effect on:

- Net interest income for 12 subsequent months;
- Economic value of equity, reflecting changes of value of assets, liabilities and off-balance sheet positions until their maturities assuming that the instrument would not be replaced after its settlement.

The Bank uses 6 scenarios for the assessment:

- parallel shock up;
- parallel shock down;
- short rates shock up);
- short rates shock down (up to six months);
- flattener shock (up to six months);
- steepened shock (up to six months).

Significant risk during the reporting period was basic because of different dynamics of changes of major market indices, affecting interest rates for assets and liabilities of the Bank (UIRD index, discount rate, profitability of deposit certificates) that may result in additional risk even if assets and liabilities are balanced regarding terms of review of interest rates. Besides, the volatility of the rates gives an additional possibility for the Bank to set the rates at the level that is acceptable for the Bank to fix the level of its interest income.

Responsibility for credit risk management rests with ALMC, which adjusts interest rates under active and passive transactions based on results of analysis, dynamics of market interest rates and acts of regulators (NBU, FRS, ECB).

Market risk

Market risk is related to unfavourable FX-rate changes, interest rate changes and the value of financial instruments. Market risks include default risk, banking book interest rate risk, credit spread risk, stock exchange, currency, commodities and volatility risks.

The purpose of market risk management is management and control of the risk within the range of pre-set parameters, optimizing profitability to the level in accordance with Bank strategies. The priority rests with the provision of maximal retaining of assets and equity based on reduction (elimination) of possible losses and non-generation of income by investing into financial instruments, including foreign currencies and precious metals.

The Bank uses following instruments to measure and manage market risks:

- Risk of default– assessment of credit risk for active banking operations;
- Interest rate risk of trade book and credit risk spread – method of modified duration;
- Volatility risk, exchange, currency and goods risks – method of value at risk (VaR);
- Stress testing of market risks.

The Bank recognizes one of the subtypes of market risk as significant - currency risk.

In its activities, the Bank does not use financial instruments related to the trading book and instruments that are a source of other subtypes of market risk, except for currency risk. This position is defined in the Bank's Risk Appetite Statement for 2024.

Currency risk

Currency risk is the risk arising from unfavourable fluctuations in foreign exchange rates that affect the value/pricing of instruments held in the Bank's trading and banking books. This risk is inherent in the Bank due to the mismatch of the Bank's assets and liabilities denominated in the same currency, which arises both from opening a position to generate trading income (trading position) and from other transactions not related to currency trading (interest accrual, provisioning, etc.).

The Bank's management sets limits and continuously monitors currency positions in accordance with the NBU regulations and approved internal methodology. The Bank has implemented a system of currency position limits (overall and by currencies/transaction types) based on both the maximum values set by the NBU and its own approaches to limiting this risk. Compliance with these limits is monitored on a daily basis.

Given that in the fourth quarter of 2023, the National Bank of Ukraine switched to a regime of managed exchange rate flexibility, in 2024 there were positive conditions for additional opportunities to generate trading income.

Operational risk

Operational risk is the risk of occurrence of losses or additional expenses, or receipt of less than planned revenue due to deficiencies or mistakes in internal processes of the Bank, intentional or unintentional acts of Bank employees or other persons, malfunctions of Bank IT systems, or influence of external factors. Operational risk includes legal risk and excludes reputational risk and strategic risk.

The major component of operational risk to be regulated is execution of non-approved transactions, mistakes of personnel, faults and errors in the work of computer networks and equipment.

To minimize operational risk and prevent possible losses, the Bank continuously identifies and collects data on internal and external factors of operational risk. Based on the information collected, the Bank forms an analytical database on detected events of operational risk, disclosing information on types and scope of operating losses by business lines of the Bank, certain Bank transactions and contracts, circumstances of their origination and identification.

The Bank uses the following methods of addressing the risk:

- Acceptance of the risk – analysis of circumstances of detection of the risk shows that implementation of steps to minimize it is not economically justified;
- Minimization of the risk – implementation of measures necessary to reduce identified risk to acceptable level; avoidance of the risk – refusal to enter banking transaction/processes with risk level unacceptable to the Bank even if additional control procedures are implemented.

One of the key risks for the Bank here is the risk to uninterrupted operation of the Bank during hostilities aimed at physical destruction of assets, including communications channels and stoppage through cyberattacks with different directions and lengths. Strategic goal of the Bank in this situation is prevention or maximal reduction of losses (financial, reputational, etc.) because of possible functioning of one or several business processes in extraordinary situations or realization of threats, including those not foreseen earlier.

Key related measures of the Bank are:

- Implementation of several methods of remote access of its employees to Bank software complexes;
- Creation of stand-by sites with access to critical IT systems and their replication in cloud storage;
- Creation of stand-by sites for critically important personnel on duty.

Implementation of these steps made it possible for the Bank to deliver all necessary services to the customers during the period.

Operational risk is inherent in all products, processes, activities, procedures and systems. Operational risk management is an integral part (function) at all levels of management.

Compliance risk

Compliance risk is the probability of losses and/or penalties, additional losses or deficiency of planned income or loss of reputation by non-compliance of the Bank with laws and regulations, market standards, rules of fair competition, rules of corporate ethics, existence of conflict of interests, as well as with internal documents of the Bank.

The Bank strives to maximally avoid compliance risks by high-level culture of compliance risks management, continuing training of personnel, strict compliance with Ukrainian laws, regulations of National Bank of Ukraine and internal documents of the Bank, assessment of external and internal factors, which may lead to compliance risks, and timely responses to them. Major goal of Compliance department is development and implementation of continuously functioning system of compliance-risk management corresponding to size of the Bank, business model, scope of operations, types of complexity of Bank businesses and support of internal control system.

For control of levels of compliance risk and internal control deficiencies, the Bank implemented efficient system of:

- Detection of compliance risks and incidents, provision for timely reaction to them;
- Provision of control over compliance of Bank operations to current Ukrainian law, including rules and regulations of National Bank of Ukraine;
- Detection of potential and actual conflicts of interest, ensuring their timely avoidance / prevention;
- Use of compliance department for solution of problems within its competence;
- Analysis of new products and significant changes in Bank operations (before their introduction);
- Analysis of counterparts;
- Compliance with legal requirements, including ‘military decrees’ and sanction limitations which is specifically important during the period of military aggression of Russia against Ukraine;
- Analysis of decisions of collegial bodies of the Bank;
- Analysis of reports of Bank departments, including audit reports, etc.;
- Provision of control over compliance of Bank regarding timely and reliable financial and statistical reporting, related-party transactions, etc.;
- Escalation of detected risks and/or violations and organization of the process of addressing them;
- Reporting, at least once per month, to the Board and at least once per quarter to the Supervisory Board.

AML/CFT risk

The AML/CFT risk is assessed by the Bank in accordance with the approved internal regulations on AML/CFT, and the amount of risk appetite for AML/CFT risk is taken into account as part of the risk appetite for compliance risk.

Strategic risk

Strategic risk is the probability of losses or additional expenses, or deficiency of planned income through wrong management decisions and inadequate reaction to changes in the business environment.

The model of management of strategic and system risks by the Bank focuses on maximization of profit at acceptable level of risks. The Bank views management of these significant risks as the process of identification of system and strategic risks, assesses and monitors them, considering interrelations between these and other risks.

Other risks – social and environmental risks

The Bank considers the environmental aspect to be of increasing importance for its operations, as the banking system and the Bank in particular play an important role in supporting sustainable development and environmental responsibility. In building new processes and improving existing ones, the Bank intends to focus on the following aspects:

- Preferring to invest in projects and businesses that contribute to environmental protection and reduction of greenhouse gas emissions (renewable energy, energy efficiency, recycling, etc.);
- adherence to the declaration of reducing its own impact, namely: taking measures to reduce its carbon footprint and energy consumption (energy-efficient management of its own premises, transition to the use of renewable energy sources, minimization of paper use, etc.);
- conducting an information campaign among employees on environmental issues and opportunities to reduce their own environmental impact;
- participation in public initiatives and projects aimed at preserving natural resources and biodiversity.

These aspects should help the Bank not only to meet the requirements of environmental responsibility, but also to create a positive impact on the environment and society as a whole.

The Bank does not set separate risk appetite indicators for social and environmental risk, but its identification is an integral part of the lending decision-making process, and the Bank's environmental and social risk management is part of the overall risk culture.

6. Related party transactions

The Bank provides loans to customers, attracts deposits and engages into other transactions with related parties in the usual course of the business. The Parties are related, if one of them has a possibility to control another one or significantly influence its financial and operating decisions. Terms of related parties' transactions are set at the moment of execution of transaction.

Related parties include the Shareholder of the Bank, members of Supervisory Board, members of the Board and their close families, companies where the Shareholder, key management or their close families exert control. Key management is composed of authorized persons, who are responsible for planning, management and control of Bank activities directly or indirectly, including members of the Board and Supervisory Board. Business entities are not considered as related parties simply for the reason of having a common director or other person of key management, or a person of key managements having significant influence on other business entity.

Bank management believes that terms of 2024 related party transactions did not differ from terms offered for independent parties.

As at December 31, 2024, the amount of loans and loans and advances to related parties amounted to UAH 149,944 thousand. During the reporting period, UAH 41,806 thousand of loans were granted to related parties and UAH 91,242 thousand were repaid. Interest income on loans to related parties for the year ended December 31, 2024, amounted to UAH 33,485 thousand.

As at December 31, 2024, the amount of funds raised from related parties amounted to UAH 1,399,674 thousand. Interest expense on amounts due to related parties for the year ended December 31, 2024, amounted to UAH 63,716 thousand.

During the reporting period, the Bank received net fee and commission income from transactions with related parties in the amount of UAH 3,148 thousand.

Remuneration to key management personnel for the year ended December 31, 2024, is represented by short-term employee benefits in the amount of UAH 102,122 thousand (2023: UAH 87,654 thousand).

Remuneration to the members of the Supervisory Board for the year ended December 31, 2024, amounted to UAH 30,405 thousand (2023: UAH 15,304 thousand).

The Bank's transactions with related parties and balances with related parties as at December 31, 2024, are disclosed in Note 29 of the Bank's financial statements for the year ended December 31, 2024.

7. Capital management

Regulatory capital

The Bank actively controls the capital adequacy ratio to prevent the inherent risks, comply with external requirements to equity and support high credit rating and capital adequacy standards, necessary to continue operations and maximize welfare of Bank's shareholders. Capital adequacy is controlled, inter alia, through implementation of methods, principles and ratios, set by Basel accord (approved in July 1988 with November 2005 changes and amendments, considering, inter alia, inclusion of market risk), and standards, introduced by NBU for banking oversight purposes.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its operations.

NBU capital adequacy ratio

NBU sets requirements to the level of capital of the banks and controls the compliance. In accordance with current capital adequacy requirements of NBU, the banks must keep the risk weighed capital-to-assets ratio (capital adequacy ratio in accordance with Ukrainian legal requirements) above certain minimal level. If a bank does not maintain or does not adequately increase its equity in line with increase of its assets, weighed for risk, the bank may violate set ratio of capital adequacy, resulting in application of penalties by NBU with subsequent negative effect on financial performance and financial position.

As a result of full-scale military aggression of Russian Federation against Ukraine on February 24, 2022, a martial law was declared in the country. In order to minimize negative effects of this aggression and preserve stability of Ukrainian banking system, the NBU Board approved Decree №23 of 25.02.2022 (with changes and amendments, introduced by NBU Board approved Decree №40 of 07.03.2022), whereas commercial banks of Ukraine shall not be penalized during martial law for violation capital ratios and other mandatory economic ratios and limits of open currency position, if these violations occurred as of February 24, 2022, as a result of negative impact of Russian military aggression against Ukraine.

In order to bring the calculation of regulatory capital in line with European standards, the National Bank of Ukraine, by its Resolution No. 196 dated 28.12.2024 (hereinafter - Regulation No. 196), changed the procedure for calculating regulatory capital. The NBU moved from a two-tier regulatory capital structure to a three-tier structure and tightened the calculation requirements, in particular: the profit of the reporting year and profit for the interim reporting period are

included only after the auditor approves the interim statements and receives the NBU's approval, deferred tax assets are added to the deduction from Tier 1 core capital, and the Bank's direct and indirect investments in its own instruments are included in the deduction from Tier 1 core capital, additional Tier 1 capital and Tier 2 capital. These changes became effective on 05.08.2024.

During the transitional period, the Resolution of the Board of the National Bank of Ukraine No. 65 dated 07.06.2024 (hereinafter - NBU Resolution No. 65) allows banks to include in the capital of the bank profit for the first half and 9 months of 2024 without the approval of the National Bank of Ukraine to include it in the capital of the bank until the earlier of the date of approval by the National Bank of Ukraine of the inclusion of such profit or the date of adoption by the general meeting of shareholders / sole shareholder of the bank of the decision to approve the profit for 2024. Also, the NBU does not apply to banks any penalties for violations of capital, credit risk, investment, and open currency position limits related to the implementation of the requirements of Regulation No. 196 between August 05 and December 31, 2024 (inclusive), provided that the banks submit a capitalization program/restructuring plan to the NBU within 30 calendar days of the violation and ensure their implementation.

The NBU Resolution No. 65 sets the following capital adequacy ratios:

- the minimum value of the Common Equity Tier 1 ratio (CET1) is 5.625%;
- minimum value of the Tier 1 capital adequacy ratio (Tier 1) - 7.5%;
- the minimum value of the regulatory capital adequacy ratio (CAR):
 - until December 31, 2024 (inclusive) - 8.5%;
 - until June 30, 2025 (inclusive) - 9.25%;
 - from July 1, 2025 - 10%.

As at December 31, 2024, the Bank complied with all the NBU requirements for capital ratios calculated under the new structure, namely: the value of the regulatory capital (N1) is UAH 1,508 million, the Common Equity Tier 1 ratio (CET1) is 14.9%, the Tier 1 capital ratio (Tier 1) is 14.9%, and the regulatory capital ratio (CAR) is 14.9%.

Accordingly, as at December 31, 2023, under the old two-tier capital structure, the regulatory capital (N1) amounted to UAH 1,699 million, the regulatory capital adequacy ratio (N2) was 24.1% (with a requirement of at least 10%), and the Tier 1 capital adequacy ratio (N3) was 17.3% (with a requirement of at least 7%).

In order to promote financial stability of the Ukrainian banking system, including in the face of unfavourable changes in the macroeconomic environment, starting from 2018, the NBU annually conducts an asset quality review (AQR), and for the largest banks, stress testing. In accordance with the NBU Board Resolution No. 141 dated December 22, 2017 "On Approval of the Regulation on Assessment of the Resilience of Banks and the Banking System of Ukraine" (hereinafter - Regulation 141), the assessment of the resilience of the largest banks in Ukraine is carried out in three stages with the involvement of an independent auditor. At the first stage, the independent auditor assesses the quality of the banks' assets and the acceptability of collateral for lending transactions. At the second stage, the NBU extrapolates the results and calculates capital adequacy ratios. At the last stage, the NBU conducts stress testing of banks under two macroeconomic scenarios - baseline and adverse. Stress testing involves calculating the impact of negative factors on the banks' capital adequacy to cover risks.

In 2023, for the first time since 2021, the National Bank of Ukraine assessed the stability of banks (due to the introduction of martial law in Ukraine on 24.02.2022, the annual assessment of the stability of banks and the banking system of Ukraine was not carried out in 2022, according to the Resolution of the Board of the National Bank of Ukraine No. 40 dated 07.03.2022). In December 2023, the Board of the National Bank of Ukraine approved its results and confirmed the Bank's sufficient capitalization level for the next three years without the need for additional capital contributions. The National Bank of Ukraine did not conduct a resilience assessment in 2024, and the previous results remained relevant.

8. Performance of the Bank

Major indices of the performance of the Bank

	<i>31.12.2024</i>	<i>31.12.2023</i>	<i>Growth, UAH mln</i>	<i>Growth rate, %</i>
Total assets	25 002.3	20 895.9	4 106.4	19.7%
Cash and cash equivalents	6 732.7	8 152.3	-1 419.7	-17.4%
Loans and due from banks	315.5	267.9	47.6	17.8%
Loans and advances to customers	7 829.7	4 335.3	3 494.4	80.6%
Investments into securities	8 994.6	6 802.9	2 191.7	32.2%
Total liabilities	22 519.7	18 800.7	3 719.0	19.8%
Due to banks	0.1	40.1	-40.0	-99.8%
Due to customers	21 780.1	18 476.5	3 303.5	17.9%
Total equity	2 482.6	2 095.2	387.4	18.5%
Profit of the year	175.0	142.8	32.2	22.5%
Net interest income	1 350.7	1 073.1	277.6	25.9%

Translation from Ukrainian original

	<i>31.12.2024</i>	<i>31.12.2023</i>	<i>Growth, UAH mln</i>	<i>Growth rate, %</i>
Net commission income	60.6	112.6	-52.0	-46.2%
Employee benefits expense	-669.7	-561.7	-108.0	19.2%
Depreciation and amortization	-74.7	-65.6	-9.1	13.8%
Administrative and other operating expenses	-274.6	-216.6	-58.0	26.8%

In 2024, the Bank earned a profit of UAH 175.0 million (2023: profit amounted to UAH 142.8 million). The Bank's financial result for the period was formed under the influence of such factors as the Bank's result from operating activities and charges to allowances.

In 2024, the Bank's operating profit (excluding results from derecognition of financial assets, revaluation of investment property, revaluation of interest-bearing swap agreement with the NBU, without allocations to provisions and payment of income tax) amounted to UAH 899.6 million (2023: operating profit of UAH 746.3 million). Thus, the Bank's net operating profit increased by UAH 153.3 million in 2024 compared to 2023.

The growth of the Bank's loan and investment portfolio led to an increase in the Bank's interest income, which in 2024 amounted to UAH 3,028.6 million, which is UAH 244.4 million or 8.8% more than in 2023 (UAH 2,784.2 million). At the same time, the Bank's interest expenses decreased to UAH 1,677.9 million, which is UAH 33.3 million or -1.9% less than in 2023 (UAH 1,711.1 million) due to a decrease in the cost of borrowed resources.

According to the Cash Flow Statement, net interest income amounted to UAH 1,135.3 million, which is UAH 173.5 million or 18.0% more than in 2023 (in 2023, net interest income amounted to UAH 961.8 million). In 2024, net commission and trading income decreased by UAH 34.4 million or -13.1% to UAH 227.8 million.

In 2024, the Bank's expenses for allowances for expected credit losses amounted to UAH 408.8 million (2023: UAH 288.9 million), of which expenses for allowances for impairment of securities amounted to UAH 328.3 million (2023: UAH 131.8 million).

During the reporting period, the Bank derecognized a part of the impaired portfolio with a gross carrying amount of UAH 266.6 million (2023: UAH 123.3 million) by selling it and wrote off impaired financial assets in the amount of UAH 377.0 million (2023: UAH 477.5 million), for which the Bank continues to take measures to recover the written-off debt. Allowance for impairment of loans and advances to customers decreased by UAH 513.6 million to UAH 873.8 million.

In 2024, the Bank repossessed collateral for non-performing loans and receivables from customers in the amount of UAH 32.8 million (2023: UAH 13.2 million). In 2024 and 2023, the Bank performed an assessment of the fair value of investment property with the involvement of independent experts, based on the results of which the Management Board of the Bank decided to adjust the value of the properties where the fair value of the property differs from their carrying value. Based on the results of the adjustment of the carrying amount, a negative result of UAH 4.9 million was recognized (2023: negative result of UAH 81.6 million).

During the reporting period, employee benefits amounted to UAH 669.7 million, which is UAH 108.0 million (+19.2%) more than in the previous period (2023: UAH 561.7 million). Depreciation and amortization amounted to UAH 74.7 million, which is UAH 9.1 million (+13.8%) more than in the previous year (2023: UAH 65.6 million). Other administrative and operating expenses of the Bank amounted to UAH 274.6 million, which is UAH 58.0 million (+26.8%) more than in the previous year (2023: UAH 216.6 million).

In 2024, the Bank's activities were characterized by the following trends:

- total assets of the Bank as of December 31, 2024, amounted to UAH 25,002.3 million, which is UAH 4,106.4 million (+19.7%) more than last year (2023: - UAH 20,895.9 million)
- gross loans to legal entities increased by UAH 2,852.2 million (+66.2%) to UAH 7,162.8 million;
- retail loan portfolio before allowances for expected credit losses increased by UAH 264.2 million (+27.2%) to UAH 1,235.9 million;
- the amount of allowances for expected credit losses decreased by UAH 513.6 million (-37.0%) to UAH 873.8 million;
- investment property decreased by UAH 25.5 million (-21.0%) to UAH 96.3 million;
- highly liquid assets (cash and cash equivalents, due from other banks, investments in NBU certificates of deposit, G7 government debt securities and government debt securities) increased by UAH 147.5 million (+1.0%) to UAH 14,799.8 million.

As at December 31, 2024, the Bank's assets had the following structure (as a percentage of total assets)

- loans to customers - 31.3% (2023: - 20.7%);
- cash and cash equivalents (including NBU certificates of deposit and amounts due to other banks) - 28.2% (2023: - 40.3%);
- investments in highly liquid securities - 36.0% (2023: - 32.6%);
- fixed assets, investment property, non-current assets held for sale, intangible assets - 2.3% (2023: 2.7%);
- other assets - 2.2% (2023: - 3.7%).

In 2024, the Bank's capital increased by UAH 387.4 million or 18.5% and amounted to UAH 2,482.6 million as of December 31, 2024.

During the reporting year, the Bank actively invested cash in short-term NBU instruments - deposit certificates. As at December 31, 2024, such investments amounted to UAH 4,451.6 million, which is UAH 850.1 million (-16.0%) less than the amount of investments as at December 31, 2023. Operations with certificates of deposit in 2024 generated interest income in the amount of UAH 390.6 million, which is UAH 826.7 million less than in 2023.

As at December 31, 2024, the Bank's investments in Ukrainian government bonds and municipal bonds amounted to UAH 8,466.6 million (December 31, 2023: UAH 6,632.3 million). These investments provided interest income in the amount of UAH 1,290.4 million, which is UAH 618.2 million or 92.0% more than the income received in 2023.

Transactions with securities and NBU certificates of deposit were carried out by the Bank in accordance with the established limits.

During 2024, the Bank's liabilities increased by UAH 3,719.0 million or +19.8% to UAH 22,519.7 million, of which 96.7% are customer accounts.

The volume of customer accounts in 2024 increased by UAH 3,303.5 million (+17.9%) to UAH 21,780.1 million. Funds on corporate customer accounts increased by UAH 3,239.0 million (+23.8%) to UAH 16,838.3 million, funds on retail customer accounts increased by UAH 64.5 million (+1.3%) to UAH 4,941.7 million. As a result, the share of corporate customer accounts in total customer accounts increased from 73.6% to 77.3%, while retail customer accounts decreased from 26.4% to 22.7%.

In the future, the Bank's profitability level will depend on many factors, in particular, on the successful implementation of the development strategy, effective work on attracting a new and retaining the existing customer base, effective work on repayment of bad debts, and increasing the quality of the loan portfolio. The factors that may to some extent affect the slowdown in development and cause a decline in performance indicators are: limited effective demand for bank lending, sensitivity of the Ukrainian banking system to operational and credit risks due to the ongoing military operations in Ukraine due to the aggression of the Russian Federation.

9. Achievements of the Bank in 2024

Reliability and stability of the Bank is confirmed by reputable rating agencies.

In November 2024, the national rating agency Standard-Rating and the national rating agency IBI-Rating confirmed the Bank's highest long-term credit rating on the national scale at uaAAA (a bank with a uaAAA rating is characterized by the highest creditworthiness compared to other Ukrainian borrowers or debt instruments) and confirmed the highest rating of bank deposit reliability.

According to the research of the Ukrainian financial agency FINCLUB, Credit Dnipro Bank entered the TOP-15 banks of the rating “25 Leading Banks of Ukraine-2024”, and also took the leading positions in several nominations at once:

- Serhiy Panov, Chair of the Board of the Bank, is among the leaders in the nomination “Top CEO of the financial market”;
- in the TOP-5 winners of the nomination “Bank of the Year in Agriculture”;
- in the TOP-5 winners of the Best Bank for Individual Entrepreneurs nomination.

GOLD credit card from Credit Dnipro Bank is in the TOP-3 best credit cards according to FinAwards, the Ministry of Finance and Finance.ua.

The team of the project office of Bank Credit Dnipro entered the top ten in Ukraine according to the results of the National PMO UA AWARDS 2023 from the PMI Ukraine Chapter.

Credit Dnipro Bank received an award for high performance in the Family Friendly Companies 2023 Index by The Page and the CSR Development Center.

Also, Credit Dnipro Bank received an award in the Responsible Country 2.0 social initiative competition as one of the hundred best social initiatives of Ukrainian companies and charitable foundations.

The Retail Business Director of Credit Dnipro Bank was included in the “v” rating from the Ukrainian Association of Fintech and Innovative Companies.

Credit Dnipro Bank received an award in the rating “Places of Power: Best Employers of Ukraine 2024” in the special nomination “Best Programs for Preserving the Mental Health of Employees” (delo.ua).

The Bank implemented the ESG project and received confirmation of the EMSMS compliance with World Bank standards. This was a prerequisite of the Entrepreneurship Development Fund (EDF) for the Bank's further participation in the state program “Affordable Loans 5-7-9%”.

The Bank became a partner of the Fund for Partial Guaranteeing of Loans in Agriculture and launched the “portfolio guarantees” product.

The Bank joined the program of compensation of 15% of the cost for the purchase of energy, construction, wheeled and special equipment of Ukrainian origin (state policy "Made in Ukraine") and the program of interest compensation from the Kyiv City State Administration - a joint program with the Department of Industry and Entrepreneurship Development of the Kyiv City State Administration to support Kyiv small and medium-sized businesses.

As part of the Business Continuity Plan (BCP), in 2024, the Bank implemented a project to organize a backup ground-based data center in Uzhhorod, which will significantly increase the reliability of the Bank's systems in the event of the unavailability of two data centres in Kyiv.

In order to increase the level of business continuity in 2024, the Bank continued to build infrastructure with additional (backup) communication and Internet channels, in particular: additional Internet channels to the Bank's data centres in Kyiv were built, channels between the Bank's data centres in Kyiv and the backup data center in Uzhhorod were built. In order to increase the level of protection of the Bank's IT systems from external cyber-attacks and to preserve backups of critical IT systems, the bank's backup servers were moved from the Bank's domain to local authentication, which will allow cold copies of critical IT systems without access to the external network.

Corporate and social responsibility

The Bank, together with its employees, clients, Ukrainian foundations and public organizations, united around a common goal - to support Ukraine. In 2024, the Bank continued to focus its efforts on the implementation of charitable programs and projects aimed at medical and social support in Ukraine.

Healthcare. The goal is to help doctors provide high-quality medical care to our defenders and ordinary citizens as professionally and quickly as possible to save their health and lives. Since 2022, the Bank has been systematically helping the Balakliya Clinical Multidisciplinary Intensive Care Hospital, which was destroyed during the occupation. The Bank has restored the intensive care unit and continues to provide the clinic with the latest equipment to help doctors save the lives of our soldiers and civilians.

The Bank also provides ongoing support to the Angela emergency medical service. Angela's doctors provide medical care on the front line every day, operate, stabilize the wounded, and solve the main task of doing everything possible to save lives.

In cooperation with the Pulse Foundation, Bank Credit Dnipro is financing a project to train the military in first aid. We support those who save lives. We help the defenders of Ukraine.

Own corporate volunteering program

Credit Dnipro Bank takes an active part in supporting the population and the army and demonstrates a high level of responsibility not only to customers and staff, but also to society as a whole.

Employees are actively involved in campaigns and fundraisers for the needs of the Armed Forces, including the purchase of critical DJI Mavic ZT drones, cars, etc.

In April 2024, Credit Dnipro Bank joined the Charter on Financial Inclusion and Reintegration of Veterans, which was initiated by the National Bank and the European Bank for Reconstruction and Development under a joint Memorandum of Understanding. The Memorandum envisages cooperation between the institutions to ensure cohesion of the financial sector in implementing standards of inclusive activities and services, support and re-socialization of war veterans in Ukraine. The standards set out in the Charter are designed to make banks more accessible to hundreds of thousands of veterans, both customers and employees.

The bank's employees and their families also take an active part in sports charity events in Ukraine. In particular, in the Unbreakable marathons, where 50% of the proceeds from the race are donated to the needs of the Medical Volunteer Battalion "Hospitaliers", which works on the front line and provides first aid, premedical assistance, and evacuates wounded Ukrainian soldiers and civilians from the hottest spots of the front line.

Thanks to the Bank's support, employees actively support their colleagues serving in the Armed Forces by providing them with the necessary equipment and medical treatment.

In 2024, the Bank's team continued to take care of more than a hundred families in Kherson and Mykolaiv regions. In particular, funds were raised to congratulate children on Children's Day, September 1 and St. Nicholas Day.

Credit Dnipro Bank is actively involved in activities aimed at educating children in financial literacy - it organizes interactive lectures and quizzes in educational institutions, where children learn how to use payment cards safely, learn how to resist cyber fraudsters and much more.

10. Corporate governance report

Corporate governance of JSC "BANK CREDIT DNEPR" is based on laws and regulations of Ukraine, national standards and recommendations, international experience and best international practices on corporate governance to form transparent and efficient model of corporate governance of the Bank

Major principles of corporate governance of the Bank are based on Ukrainian laws and regulations (Law of Ukraine *On Banks and Banking Activities* with changes and amendments, Law of Ukraine *On Joint Stock Companies* with changes and amendments, recommendations of National Bank of Ukraine and Basel principles of corporate governance, complying with best international practices.

The Bank has developed and implemented the Bank's Corporate Governance Code, which was approved by the decision of the Sole Shareholder of the Bank dated 29.11.2023 (Decision No. 5), which sets out the main approaches, requirements and principles of the corporate governance system in the Bank. The Code describes the current corporate governance system and the mechanism of its operation and interaction in order to ensure the rights and interests of shareholders, improve business efficiency, increase the level of transparency and investment attractiveness of the Bank, preserve and increase shareholder capital. Specific procedures and practices for the application of certain elements of corporate governance are defined in detail and regulated by the Charter and internal documents of the Bank.

Major lines of corporate governance of the Bank are:

- Organization of efficient work of Supervisory and Management boards, settlement of matters related to segregation of powers, authorities and accountability of managing bodies;
- Determination and approval of Bank development strategies together with control over their implementation (including formation of efficient systems of planning, banking risks management and internal control);
- Prevention of conflicts of interests between shareholders, members of Supervisory and Management boards, Bank employees, creditors, depositors, other customers and counterparts of the Bank;
- Determination of rules and procedures providing for compliance of all Bank employees and members of managing bodies with principles of professional ethics;
- Determination of procedures, rules and controls over disclosure of the Bank information.

The Bank's Corporate Governance Code is available on the Bank's website at www.creditdnepr.com.ua: <https://creditdnepr.com.ua/pro-bank/vnutrishni-dokumenty-banku>

In 2024, there were no deviations from the provisions of the Corporate Governance Code. Also, during 2024, the Bank did not decide not to apply any provisions of the Bank's Corporate Governance Code.

Information on owners of significant interest in the Bank

As at December 31, 2024, 100% of the Bank's shares are directly owned by Mr. Oleksandr Yaroslavskyi, who is the sole shareholder of the Bank. The powers of the General Meeting of Shareholders are exercised by the Sole Shareholder, solely, and decisions are formalized by adopting the Resolutions of the Sole Shareholder of the Bank.

All resolutions of the Sole Shareholder of the Bank are available on the Bank's website at the following link: <https://creditdnepr.com.ua/pro-bank/rozkrysttya-informaciyi/rishennya-yedynogo-akcionera>

There were no changes in the owners of significant interest in the Bank during 2024.

There are no restrictions on the rights of participation and voting of shareholders (participants) at the General Meeting of Shareholders.

In 2024, the Sole Shareholder of the Bank considered and decided on the following issues:

:

№	Date	Decision
1	30.04.2024	1. On approval of the main activities of JSC “BANK CREDIT DNEPR” for 2024-2027. 2. Consideration of the Report of the Supervisory Board of JSC “BANK CREDIT DNEPR” for 2023 and adoption of a decision based on the results of its consideration. 3. Approval of the annual results of the Bank's financial and economic activities - annual financial statements of JSC “BANK CREDIT DNEPR” and the management report (management report) of JSC “BANK CREDIT DNEPR” for 2023. 4. On consideration of the report of the Bank's external auditor on the audit of the annual financial statements of JSC “BANK CREDIT DNEPR” for 2023 and approval of measures based on the results of its consideration. 5. On the distribution of the profit received by JSC “BANK CREDIT DNEPR” based on the results of activities in 2023. 6. Approval of the Report on Remuneration of the Members of the Supervisory Board of JSC “BANK CREDIT DNEPR” for 2023. 7. Approval of the Regulations on Remuneration of the Members of the Supervisory Board of JSC “BANK CREDIT DNEPR” in a new version. 8. Approval of amendments to the terms and conditions of civil law contracts concluded with the members of the Bank's Supervisory Board and election of a

№	Date	Decision
		<p>person authorized to sign the relevant contracts with the members of the Bank's Supervisory Board.</p> <p>9. On election of a member of the Bank's Supervisory Board.</p> <p>10. On approval of the terms and conditions of the civil law contract concluded with a member of the Bank's Supervisory Board, setting the amount of remuneration and electing a person authorized to sign the relevant contract with a member of the Bank's Supervisory Board.</p> <p>11. Approval of the new version of the Regulations on the General Meeting of Shareholders of JSC “BANK CREDIT DNEPR”.</p>
2	30.10.2024	<p>1. On the election of the Chair of the Supervisory Board of the Bank.</p> <p>2. Approval of amendments to the terms and conditions of civil law contracts concluded with the members of the Supervisory Board and election of a person authorized to sign the relevant contracts with the members of the Supervisory Board of the Bank.</p>

Information on Supervisory Board and its committees

The status of the Supervisory Board, its competence, responsibility, purpose and objectives, its composition, the procedure for election and termination of powers of its members, the procedure for convening and holding meetings of the Supervisory Board and other issues related to its activities are determined by the Regulations on the Supervisory Board of the Bank, approved by the Resolution No. 5 of the Sole Shareholder of the Bank of 29.11.2023.

2024 composition of Supervisory Board:

Full name	Position	Independent member	
		Y	N
Bolkhovitinov Oleksiy Semenovych *	Chair/member	-	X
Samarina Anna Yuriivna**	Chair/member		X
Chorny Oleksandr Volodymyrovych	Member	-	X
Fomenko Andriy Vasyliovych	Member	-	X
Zosimov Oleksiy Ivanovych	Member	-	X
Romanovsky Piotr	Member	X	-
Klesov Andriy Olegovych	Member	X	-
Jiovanni Salvetti	Member	X	-

* Until November 01, 2024 - Chair of the Supervisory Board of the Bank.

** as of 01.11.2024 - elected as the Chair of the Supervisory Board of the Bank

Changes in the composition of the Bank's Supervisory Board in 2024:

- By the decision No. 1 of the Sole Shareholder of the Bank of 30.04.2024. Samarina Anna Yurievna was elected as a member of the Supervisory Board of the Bank (shareholder representative)
- - By the decision No. 2 of the Sole Shareholder of the Bank of 30.10.2024. Samarina Anna Yurievna was elected Chair of the Supervisory Board of the Bank.

Meetings and powers of Supervisory Board of the Bank

Supervisory Board holds meeting by form of:

- Common presence of members of Supervisory Board at preselected location to discuss issues on agenda and take decisions by voting or by a video conference.
- Remote voting by e-poll, using means of digital communications, used by the Bank, or voting at common video conference.

Decisions of Supervisory Board are taken by simple majority of votes. Irrespective of the format of a meeting, each member of Supervisory Board has one vote. If the votes are split equally, the Chair has a decisive vote.

The Supervisory Board organizes its work as regular and extraordinary meetings. The meetings are held regularly or as a special meeting, if necessary. The annual plan of meetings of the Supervisory Board is prepared by Corporate secretary of the Bank early in the year and approved by the Supervisory Board at its first meeting in the year. Respective plan of meeting

may be approved by Supervisory Board at its latest meeting of the previous year. The agenda of regular meetings includes a review of the results of interim performance of the Bank, quarterly reports of controlling departments and reports of committees of Supervisory Board on work done and decisions taken. Plan of meeting of Supervisory Board of the Bank for 2023 was approved by Supervisory Board on 29.12.2022 (Minutes №25).

In 2024, 37 meetings of the Supervisory Board were held, including: 7 in-person (in the form of joint presence via videoconference with open voting) and 30 in the form of absentee voting (by conducting an electronic survey using electronic means of communication), based on the results of which 37 minutes of the Supervisory Board were drawn up. The meetings addressed various issues within the competence of the Supervisory Board. In total, 150 issues were considered during the reporting period. In accordance with the Regulation on the Supervisory Board of the Bank, the competence of the Supervisory Board includes resolving issues stipulated by the legislation of Ukraine, the Bank's Charter, resolutions of the General Meeting (resolutions of the Sole Shareholder), as well as the Regulation on the Supervisory Board. The competence of the Supervisory Board may be changed by the decision of the General Meeting (decision of the Sole Shareholder) in accordance with the current legislation of Ukraine with the introduction of appropriate amendments to the Bank's Charter and the Regulations on the Supervisory Board of the Bank. The exclusive competence of the Supervisory Board is defined in the Bank's Charter and the Regulation on the Supervisory Board of the Bank.

In 2024, the Bank's Supervisory Board aimed to protect the rights of depositors, other creditors and the Bank's shareholder within the competence defined by the Bank's Charter and applicable law and controlled and regulated the activities of the Bank's Management Board. The Bank's Supervisory Board participated in all key issues of the Bank's activities, made decisions within its competence and based on an in-depth analysis of events and the situation in the banking sector.

In accordance with procedures, set by Ukrainian law and internal regulations of the Bank, Supervisory Board controlled:

1) implementation of:

- Bank strategy and business plan;
- Bank plans of action, ensuring functioning of the Bank as going concern.

2) compliance with:

- Code of ethics of the Bank, setting organization of corporate culture and corporate values of the Bank;
- Budget and planned KPIs of the Bank;
- Rules of related party transactions;
- Policies of internal control system of the Bank;
- Risk Appetite Statement, risk management strategy, significant risks management policies;
- Policies of prevention, identification and management of conflict of interests;
- Procedures of selection, assessment and election of candidates to Supervisory/Management Board;
- Regulation on organization of corporate management in the Bank;
- Regulations on controlling departments.

3) execution of:

- Procedures of organization of management of risks, compliance and internal audit of the Bank;
- Procedures of assessment of efficiency of Supervisory Board in general, its committees and its members, controlling departments, assessment of compliance of members of Supervisory and Managements Boards, head of internal audit department with qualification requirements, assessment of collective appropriateness of Supervisory and Managements Boards.

4) efficiency of:

- Organizational structure of the Bank;
- Internal control, including risk management system;
- Forms and procedures of presentation of management reporting.

In 2024, the Bank's Supervisory Board exercised its powers and fulfilled its tasks by conducting an in-depth analysis of available information and assessing the factors that shaped the conditions for the Bank's activities and had an impact and financial result. In its activities, the Bank's Supervisory Board is governed by the Laws of Ukraine "On Banks and Banking", "On Joint Stock Companies", other laws and regulations of Ukraine, regulations of the National Bank of Ukraine, the Bank's Charter, resolutions of the General Meeting, and the Regulation on the Bank's Supervisory Board.

Supervisory Board Committees

The Regulation on the Supervisory Board of the Bank stipulates that the Supervisory Board shall establish permanent or temporary committees (hereinafter - Committees) from among the members of the Supervisory Board for preliminary study and preparation for consideration at the meeting of issues within the competence of the Supervisory Board, the establishment of which is provided for by the current legislation of Ukraine. The Committees of the Supervisory Board may also independently make decisions on certain issues of the Bank's activities if: a) such issues do not fall within the exclusive competence of the Supervisory Board in accordance with the laws of Ukraine or the Bank's Charter, and b) such Committee was duly authorized by the Supervisory Board to resolve such issues without subsequent submission to the

Supervisory Board. At the same time, information on decisions made by the relevant Committee shall be included in its quarterly reports submitted to the Supervisory Board for consideration.

The procedure for establishing, competence, direction of functioning and composition of the Supervisory Board Committees shall be determined by the regulations on the relevant committees approved by the Supervisory Board. The procedure for the formation and operation of the Supervisory Board Committees shall be carried out in accordance with the requirements of the law. Regardless of the formation of the Committees, the Supervisory Board remains responsible for the overall risk management in the Bank and ensures control over the performance of its delegated functions.

In 2024, the Bank had the following committees:

The Risk Committee, whose activities are regulated by the amended Regulation on the Risk Committee, approved by the Bank's Supervisory Board dated 07/23/2024 (Minutes No. 21). The relevant Regulation defines the functions/powers delegated by the Supervisory Board to the relevant committee, in particular, the functions of preliminary processing and providing conclusions and recommendations to the Supervisory Board and the Management Board of the Bank on risk management, including compliance risks.

The Audit Committee, whose activities are regulated by the Regulations on the Audit Committee, approved by the decision of the Bank's Supervisory Board dated 28.11.2023 (Minutes No. 33). The relevant Regulation defines the functions/powers delegated by the Supervisory Board to the relevant committee, in particular, the functions of preliminary processing and providing conclusions and recommendations to the Supervisory Board and the Management Board on certain issues of the Bank's activities related to the control and regulation of the Bank's activities in the field of financial reporting, internal control, internal and external audit.

The Business Committee, whose activities are regulated by the Regulations on the Business Committee approved by the decision of the Supervisory Board of the Bank dated 28.11.2023 (Minutes No. 33). The relevant Regulation defines the functions/powers delegated by the Supervisory Board to the relevant committee, in particular, the functions of ensuring the continuity of the Bank's management, preliminary processing and provision of conclusions and recommendations to the Supervisory Board and the Management Board on the Bank's core business.

On 23.07.2024, the Supervisory Board of the Bank decided to establish the Nomination and Remuneration Committee, elect its members and approve the Regulations on the relevant committee (Minutes No. 21). The Committee was established to exercise the powers of the Bank's Board to formulate the Bank's policy on the selection/appointment of candidates for vacant positions of the Bank's management personnel, management of the personnel reserve and succession of the Bank's management personnel, attracting highly qualified personnel to the Bank's activities and retaining them, forming a remuneration system and implementing the Bank's remuneration policy, ensuring that remuneration is consistent with the risk management culture, the Bank's strategy, the approved declaration of the Bank's commitment to

In accordance with the Regulations on the Supervisory Board of the Bank, the Board is responsible for the work of its committees. In accordance with the regulations on the committees of the Supervisory Board, the committees submit quarterly reports on the results of their work for the respective quarters to the Board. The reports contain information on the composition of the committee, changes in the composition of the committee, the number of meetings held, issues considered, number of decisions made, participation of committee members in the meetings, etc. Information on the personal composition of the committees is provided in a separate file. Each Regulation on the respective Committee of the Supervisory Board stipulates that the Committee meetings are held as needed, but not less than four meetings per year.

The following meetings were held in 2024:

- Risk Committee: a total of 16 meetings, including 4 in the form of an in-person meeting (via video conference), 12 in the form of absentee voting;
- Audit Committee: a total of 13 meetings, including 13 by absentee voting;
- Business Committee: 25 meetings in total, including 1 meeting in person (via video conference) and 24 meetings by absentee voting;
- Nomination and Remuneration Committee: 7 meetings in total, including 1 meeting in person (via video conference) and 6 meetings by remote voting.

In 2024, there were no facts of violation of internal rules by the members of the Bank's Supervisory Board that caused damage to the Bank or its customers.

The members of the Supervisory Board of the Bank have a high professional level and professional experience and properly perform their duties, take an active part in the meetings of the Supervisory Board and its bodies, and show initiative in their interaction with the Management Board and control units.

The independent members of the Supervisory Board of JSC "BANK CREDIT DNEPR" Andrii Klesov, Piotr Romanovsky, and Giovanni Salvetti have the appropriate professional level and professional experience, as well as meet the requirements of the current legislation regarding their independence at the time of their election and during their term of office in the Supervisory Board of the Bank. The independent members of the Supervisory Board have knowledge in the areas of corporate governance and banking activities, their regulation, to the extent necessary for the effective performance of their duties (as required by law).

In 2024, the Supervisory Board reviewed issues within its competence and made decisions, in particular, aimed at:

- ensuring effective control over the Bank's financial and economic activities;
- protecting the rights of depositors, other creditors and shareholders of the Bank;
- determining the Bank's development concept, its strategic goals and ways to achieve them by approving the Strategy, which includes a business model, defines the main strategic ambitions and target financial and economic indicators of the Bank's activities
- approval of the Bank's Budget;
- formation of the Bank's Management Board;
- determination of the Bank's organizational structure;
- approval of internal regulations on risk management and internal control (compliance) systems;
- appointment of the Bank's external auditors, approval of the terms and conditions of contracts with them, including the amount of payment for their services;
- reviewing the report of the external audit of the Bank and preparing recommendations to the Sole Shareholder of the Bank for making a decision on it;
- approval of decisions on active operations and amendments to financing terms;
- approval of work plans for the collection of bad debts, including settlement of agreements with individual debtors of the Bank;
- reviewing the Bank's management reports;
- determination of incentive systems for members of the Management Board and remuneration of units directly subordinated to the Supervisory Board;
- controlling and regulating the activities of the Management Board.

Evaluation of the Supervisory Board's performance against its objectives

The Supervisory Board of the Bank executed its responsibilities in full.

Each member of the Supervisory Board consistently and diligently, keeping in mind risks of the Bank, performed their responsibilities and tasks during the reporting period, namely, functions of control. Monitoring and other functions within the competence of Supervisory Board; the above resulted in performance of pre-set tasks at proper level by Supervisory Board, considering strategic goals of the Bank in compliance with corporate values, in the current situation of martial law in Ukraine

During the reporting period, the Supervisory Board of the Bank implemented all necessary measures to prevent a conflict of interests in the Bank. As a result, there were no facts of actual conflicts of interests.

Members of the current Supervisory Board, considering their responsibilities, comply with qualification requirements of NBU and have an impeccable business reputation. Members of the Supervisory Board have many-sided knowledge, great professional experience and practice, including international experience of management of financial institutions, including banks.

In 2024, the Bank performed regular evaluation (in cases stated in the NBU regulations) of level of collective qualification of Supervisory Board. E.g., this evaluation took place:

- 1) during annual evaluation of efficiency of work of Supervisory Board of the Bank;
- 2) during election and termination of powers of members of Supervisory Board;
- 3) changes/reallocation of powers/areas of responsibilities of the Chair and members of Supervisory Board,

The results of evaluation of the level of collective qualification of Supervisory Board were based on information on practical professional experience of members of Supervisory Board and their personal achievements, theoretical knowledge received through professional development, that are documented and can prove the level of competence of a person (information in service records, resume (for non-residents), diplomas, certificates, qualification certificates, etc.). The results of evaluation were presented to National Bank of Ukraine in the format required by the regulator.

Revision committee

The Bank did not establish revision committee; its functions, in accordance with Ukrainian law regulating banking operations, are vested in internal audit department of the Bank.

Composition of Management Board as at 31.12.2024:

- Panov S.M. - Chair of the Management Board;
- Aleksandrov A.V. - First Deputy Chair of the Management Board;
- Gorkun T.I. - Deputy Chair of the Management Board for Digital Transformation;
- Shveda O.F. - Deputy Chair of the Management Board for Treasury;
- Soboleva M.V. - Deputy Chair of the Management Board for Legal Affairs;

Kryvoshein P.P. - Deputy Chair of the Management Board for Management of Distressed and Non-Core Assets;
Izbinska G.M. - Deputy Chair of the Management Board for Operations;
Kononenko P.M. - Deputy Chair of the Management Board for Security.

The following changes were made in composition of Management Board in 2024:

On 31.10.2024, the Supervisory Board of the Bank decided to terminate the powers of the Management Board member, Deputy Chair of the Management Board for Corporate Business - Tetiana Poplavska, effective 01.11.2024, due to the termination of the Agreement on the performance of official duties of the Management Board member.

In accordance with the Bank's Charter, the Management Board is responsible for resolving all issues related to the management of the Bank's day-to-day operations that are not within the competence of other bodies of the Bank or transferred by them in accordance with the provisions of the law or the Charter to the Management Board, as well as those that do not fall within the competence of the General Meeting and the Supervisory Board.

Powers of the Management Board include, inter alia:

- 1) presentation of information as per the list of information important for banks supervision to NBU in accordance with the Law of Ukraine *On Banks and Banking Activity*;
- 2) Preparation of draft budget, strategy and business plans of Bank development for approval by Supervisory Board;
- 3) Implementation of strategy and business plans of Bank development approves by Supervisory Board, compliance with Bank budget, control of compliance of structural departments of the Bank, including separated departments, with the above;
- 4) Presentation of proposals regarding the need to introduce changes into strategy and policies of risk management to Supervisory Board; control over communication of changes made in strategy and policies of risk management and other internal documents on risk management to respective departments and employees of the Bank;
- 5) Execution of decisions of Supervisory Board on implementation of risk management system, risk-management policies and procedures, and other actions aimed at efficient risk management in the Bank;
- 6) formation of the funds to provide for Bank operation;
- 7) Setting rules and procedures of monitoring of Bank operations;
- 8) Development of organizational structure of the Bank and its presentation for approval by Supervisory Board;
- 9) Informing Supervisory Board on Bank KPIs, identification of non-compliance with current law in Bank operations, deterioration or threat of deterioration of Bank financial position, other risks faced by the Bank during its operations;
- 10) Provision of safety of IT systems of the Bank;
- 11) Provision for operation of the Bank as going concern;
- 12) Presentation of annual financial statements of the Bank for approval by General meeting;
- 13) Provision of performance of inspections and implementation of conclusions and recommendations of internal and external audits of the Bank, taking decisions based on their results;
- 14) Reporting on execution of planned performance indicators, strategy and business plan of the Bank to Supervisory Board;
- 15) Execution of continuous monitoring of efficiency of internal control system in accordance with approved procedures of the Bank;
- 16) Developments of steps to quickly correct the deficiencies in risk management system, implementation of comments and recommendations based on risk assessment, internal and external audits, regulatory bodies;
- 17) Provision of preparation and presentation of management reports on risks faced by the Bank, including information on new products or significant changes in Bank operations, to Supervisory Board;
- 18) Provision of preparation and presentation of proposals on necessary changes in strategy and policies of risk management to Supervisory Board;
- 19) Control over communication of changes made in strategy and policies of risk management and other internal documents on risk management to respective departments and employees of the Bank;
- 20) Provision of compliance with Ukrainian legal requirements regarding prevention and counteraction of legalization (laundering) of criminal proceeds, financing of terrorism and proliferation of weapons of mass destruction;
- 21) Approval of limits for each type of risk in accordance with list of limits, set by Supervisory Board;

- 22) Provision of administrative support and control of execution of their functions by CRO, CCO, risk management departments and compliance department (organization of their work processes, preparation of regulatory documents to implement decisions of Supervisory Board);
- 23) Introduction of limits for decisions of Management Board committees on transactions, taking decisions for which is delegated by Management Board to these committees;
- 24) Taking decisions on active transactions with related parties within the limits set by current Ukrainian law and Matrix of allocation of competencies, approval of list of Bank related parties, provision of actuality of information (reporting) on related parties to be presented to National Bank of Ukraine by the Bank;
- 25) Determination of range of matters, treated as commercial secret, confidential information and limited-access information. Setting the rules of their disclosure;
- 26) Taking decisions within its competence on settlement of doubtful debts, including write-off of debts under active transactions, recognized as bad within the limits of powers;
- 27) Taking decisions on management of Bank human resources: selection of candidates, appointment and discharge of employees, approval of motivation systems (financial and non-financial motivation) within the approved budget including employees of structural departments directly accountable to Supervisory, considering the approved budget for their labour remuneration and limitations regarding these issues set by Supervisory Board;
- 28) Provision of development and approval of internal regulatory documents and management procedures of the Bank (except for internal documents, review and approval of which is the competence of Supervisory Board or General meeting);
- 29) Taking decisions on establishment of committees accountable to Management Board, setting their functions and limits of powers, approval of composition of committees and regulations on committees;
- 30) Approval of scope of credit risk and allowances and provisions under active transactions and financial liabilities of the Bank, approval on scope of provision for potential losses under court claims of customers, counterparts, third parties and decisions of state bodies that may result from disposal of assets or origination of liabilities;
- 31) Development and presentation of dispute-settling and court protection of the Bank in case of threat of loss or encumbrance of Bank corporate rights for approval by Supervisory Board;
- 32) Preparation and organizational support of meetings of Supervisory Board and General meeting;
- 33) Taking decisions on opening of correspondent accounts in non-resident banks and correspondent accounts of non-resident banks in the Bank;
- 34) Taking decisions on establishment, reorganization, temporary suspension and recommencement of operations, liquidation of branches and other separated segments of the Bank, approval of their regulations;
- 35) Taking decisions related to transfer (alienation) of exclusive intellectual property right, including rights on marks for goods and services (trademarks);
- 36) Prior coordination of proposals of ALMC on attraction of funds as subordinated debt;
- 37) Taking decision on signing certain legal documents in accordance with Matrix of allocation of competencies;
- 38) taking decisions on other issues of day-by-day management of the Bank in line with current Ukrainian law, except for issues within sole competence of Supervisory Board and General meeting not delegated to the Management Board.

The Chair of the Management Board organizes activities of the Management Board, convenes meeting and provides for keeping minutes of the meetings.

Rights and powers of the Chair regarding management of current activities of the Bank are set by Ukrainian law, Charter and Regulation on Management Board.

Chair of the Management Board:

- 1) manages day-to-day work of the Bank based on decisions of General meeting and Supervisory Board;
- 2) Has a right to act in the name of the Bank without PoA, including representation of Bank interests in dealings with state bodies and legal entities and/or individuals, execute any legal acts within his powers in Ukraine and outside of it within his competence as set by Ukrainian law, Statute of the Bank, Supervisory Board and its committees and Management Board and its committees.
- 3) Has a right to act in the name of the Bank without PoA, including representation of Bank interests in dealings with and legal entities and/or individuals, execute any legal acts within his powers in Ukraine and outside of it;
- 4) Manages Bank assets within the limits set by Statute, decisions of Supervisory and Management Bords Matrix of allocation of competencies, stated in Ukrainian law;

- 5) Develops and approves scope of powers of authorized bodies and employees of the Bank regarding bank transactions and execution of contracts;
- 6) Allocates powers (on management of current operation of the Bank and representation of the Bank for third parties) between members of Management Board and Bank employees along their lines of business approving respective acts, issuance of PoAs, etc.;
- 7) Establishes provisional and acting bodies (committees, commissions, work groups) to solve the issues of financial, business and current work of the Bank, except for those establishment of which is within the competence of General meeting, Supervisory and Management Boards, and approves internal regulations (documents) of the Bank, except for those approval of which is within the competence of General meeting, Supervisory and Management Boards;
- 8) Approves internal documents of the Bank, issues orders, instructions, other regulatory documents mandatory for all employees of the Bank, except for those approval of which is within the competence of General meeting, Supervisory and Management Boards;
- 9) Provides for preparation and holding of meetings of the Board of the Bank, approves agenda of these meetings;
- 10) Prepares and signs organizational structure of the Bank to be approved by Supervisory Board and implements it;
- 11) Approves manning table of the Bank and its separated segments (branches);
- 12) Hires and dismisses Bank personnel, taking into accounts specifics of employment and dismissal of employees directly accountable to Supervisory Board;
- 13) Takes decisions on terms of agreements (contracts), including terms of labour remuneration and financial stimulation with Bank employees, considering legal requirements regarding decisions on for heads and personnel of departments accountable to Supervisory Board;
- 14) Implements rights and obligations of the Bank in labour relations sphere (including stimulation of employees and initiation of respective disciplinary actions) in accordance with Ukrainian law and Statute of the Bank;
- 15) Has a right to be present of sessions of General meeting, Supervisory Board and its committees;
- 16) Present matters related to Bank operations for review by General meeting, Supervisory Board and its committees;
- 17) Performs, within the limits of his powers, advance review and preparation of draft decisions on matters within the competence of General meeting, Supervisory Board and its committees;
- 18) Enjoys other powers in accordance with Ukrainian law, Statute and internal documents of the Bank.

Chair of the Management Board issues letters of authorization (including the right of re-authorization) to represent Bank in dealings with third parties, enter into legal acts in the name of the Bank, including the right to sign or terminate the contracts and other documents, related to legal acts.

Members of the Management Board control business lines in line with allocation of responsibilities, approved by the Chair. Each Management Board member manages, being personally responsible, for the work of Bank departments, directly accountable to particular member in line with organizational structure of the Bank.

Members of the Management Board, within his scope of powers allocated by the Chair and in line with rules and procedures set by internal documents, issue orders and instructions mandatory for all employees of the Bank.

In accordance with Regulation on functioning of collegial bodies' system of the Bank, Management Board established the following functioning committees:

I (highest) level committees:

- Assets-and-Liabilities management committee (ALMC) of JSC BANK CREDIT DNEPR, taking decisions on active and passive transactions and risks, caused by these transactions as well as decisions on management of limits and ranges of bank products, transactions required to meet the budget of the Bank;
- Individuals' business committee (IBC) of JSC BANK CREDIT DNEPR, taking decisions on efficient management of business with individuals (all segments of customers – natural persons) and related risks, having high level of powers and having a right to take management decisions within its competence. IBC acts as a credit committee in the meaning of Law on banks regarding transactions with individuals.
- Corporate business committee (CBC) of JSC BANK CREDIT DNEPR, a standing committee, taking decisions on efficient management of corporate business with legal entities and private entrepreneurs of corporate and medium business and related risks, having high level of powers and having a right to take management decisions within its competence. CBC acts as a credit committee in the meaning of Law on banks regarding transactions with legal entities.
- Small and microbusiness committee (SMC) of JSC BANK CREDIT DNEPR, a standing committee, taking decisions on efficient management of corporate business with legal entities and private entrepreneurs of small and microbusiness

segment, and related risks, having high level of powers and having a right to take management decisions within its competence. CBC acts as a credit committee in the meaning of Law on banks regarding transactions with legal entities.

- Committee of operating, compliance risks and information safety (COCRIF) of JSC BANK CREDIT DNEPR – Bank committee for management of internal control system of the Bank, organization and updating of operating processes, management of operating and compliance risks, implementation and functioning of information safety management system (ISMS), management of information safety risks within ISMS of the Bank.

- Non-performing assets committee (NPAC) of JSC BANK CREDIT DNEPR, standing Bank committee taking decisions on management of non-performing assets and foreclosed property. NPAC is authorized to review issues related to management of potential NPAs, including credit decisions on these assets.

- Strategic development and Bank transformation committee (SDBTC) of JSC BANK CREDIT DNEPR, standing committee taking decisions on management of Bank transformation projects, strategic issues of Bank transformation, optimization of processes and digital changes, including, but not exclusively, development of IT systems of the Bank.

- Financial monitoring committee (FMC) of JSC BANK CREDIT DNEPR – standing committee on financial monitoring, including prevention of legalization (laundering) of criminal proceeds, financing of terrorism and financing of proliferation of weapon of mass destruction.

II (lower) level collegial committees:

- small corporate business committee (SCBC);
- small committee on small and microbusiness (SCSM);
- authorized persons for expert lines/functions.

In 2024, the committees took respective decisions within the range of their powers.

In total, in 2024, the following meetings were held (including in person and by correspondence):

- 125 meetings of the Operational, Compliance Risk and Information Security Committee;
- 27 meetings of the Financial Monitoring Committee;
- 46 meetings of the Strategic Development and Transformation Committee;
- 151 meetings of the Assets and Liabilities Management Committee;
- 55 meetings of the Problem Assets Committee;
- 167 meetings of the Retail Banking Committee;
- 107 meetings of the Corporate Business Committee;
- 33 meetings of the Small and Micro Business Committee;
- 426 meetings of the Small Corporate Business Committee;
- 29 meetings of the Small Committee for Small and Micro Business.

Meetings of the Management Board are held either in person or remotely as regular or extraordinary. The Chair of the Management Board sets the periodicity of regular meetings but not less than once per year. Extraordinary meeting can be initiated by:

- Chair or any member of Management Board by his/her initiative;
- Chair on demand of NBU, Supervisory Board, CRO, CCO, head of internal audit department.

The meeting can be held as:

- Common presence of members of Management Board in selected location or by tele- or video conference (common presence format) to discuss agenda issues to vote;
- Remote voting by electronic questioning using Bank means of communication (distant discussion format).

Meetings of the Management Board are recognized as valid if more than half the members of the Management Board take part at the meeting.

In 2024, 346 meetings of the Management Board were held, including: 4 regular, 342 extraordinary; 11 in-person, 335 in absentia, which resulted in 346 minutes of the Management Board's resolutions. The meetings addressed various issues within the competence of the Management Board.

In 2024, the Management Board of the Bank considered issues related to the main areas of the Bank's activities, in particular

- results of periodic reports on the Bank's activities;
- reports of the Bank's Internal Audit Department on the audit of the Bank's structural units and business processes;
- monthly review and approval of the list of persons related to the Bank;
- review, approval, approval and amendment of the Bank's internal regulatory documents;
- quarterly reports on the results of monitoring the effectiveness of the Bank's internal control system, including the effectiveness of the risk management system;
- financing/amendments to the terms of financing of the Bank's customers depending on the limits of authority;

- settlement of bad debts of the Bank's debtors;
- approving the terms of lease/sale of property owned by the Bank;
- implementation of measures to ensure the Bank's continuing operations, etc.

A total of 423 issues were reviewed during the reporting period.

The Management Board of the Bank fully fulfils its goals. During the reporting period, the Management Board took all necessary measures for the effective operation of the Bank and positive changes in financial and economic activities

Each member of the Management Board has a complex of knowledge, professional and managerial experience necessary for the proper performance of duties, taking into account the Bank's business plan and strategy. The members of the Management Board have the appropriate professional level and diverse professional experience, which allows them to properly perform their duties and make decisions on various issues of the Bank's activities. Members of the Management Board demonstrate the ability to work effectively in a team, make important strategic decisions in a balanced and reasonable manner, organize the work of the Management Board and monitor the implementation of decisions.

The common knowledge, skills, professional and managerial experience of the members of the Management Board of the Bank sufficient to understand all aspects of the Bank's activities, adequately assess the risks to which the Bank may be exposed, as well as ensure effective management and control over the Bank's activities in general, taking into account the functions assigned to the Management Board by the current legislation, the Bank's Charter and the Regulations on the Management Board of JSC "BANK CREDIT DNEPR", led to the adoption of balanced decisions that led to positive changes in the financial and economic activities of the Bank. Coordination and common understanding of the Bank's strategic goals by the Management Board members are important for quick and effective decision-making that meets the interests of all stakeholders (shareholders, customers, employees).

In the reporting period, the Supervisory Board assessed the performance of the Management Board by evaluating the Bank's performance against the Bank's targets.

In 2024, the performance of the Management Board, its members and committees for 2023 was evaluated. The evaluation was conducted by means of a questionnaire. The questionnaires were filled in by each member of the Board and the Management Board of the Bank, which made it possible to make an independent, objective assessment of all areas of the Management Board's activities based only on the objective data obtained from the analysis of the questionnaires. Based on the results of the assessment of the effectiveness of the Bank's Management Board, its members and committees for 2023, a Report on the results of the assessment of the effectiveness of the Bank's Management Board, its members and committees for 2023 was prepared, which was reviewed by the Bank's Supervisory Board on 22.04.2024 (Minutes No. 13), which recognized the activities of the Bank's Management Board, its members and committees for 2023 as effective and approved the Action Plan for improving the organization and effectiveness of the Bank's Management Board. The relevant information was sent to the National Bank of Ukraine.

In 2024, the Management Board of the Bank demonstrated high efficiency and prudence in managing the Bank, making timely and informed decisions, taking all necessary measures to eliminate problem areas in the Bank's operations, and ensuring an optimal level of coordination of the implementation of the Bank's strategy, business plan, and action plans to ensure its continuity. Each member of the Management Board meets the requirements of the Ukrainian legislation regarding professional suitability and business reputation, demonstrates high ethical and professional standards, and performs his/her duties in compliance with the principles of continuity, independence, impartiality and objectivity, professional competence, diligence and ethics.

The remuneration paid to the members of the Supervisory Board/Management Board and the Bank's influential persons (in terms of fixed and variable remuneration) is indicated in the Remuneration Reports of the Bank's Supervisory Board and the members of the Bank's Management Board and the Bank's influential persons, respectively, which are formed and prepared in full compliance with the requirements of the regulations of the National Bank of Ukraine, in particular the Regulation on the Bank's Remuneration Policy approved by the Resolution of the Board of the National Bank of Ukraine dated 30. 11.2020 No. 153, the Bank discloses the texts of the Remuneration Reports on its website within 15 business days from the date of their approval by the authorized bodies of the Bank: Report on Remuneration of the Supervisory Board Members - by the Sole Shareholder of the Bank; Report on Remuneration of the Management Board Members and Report on Remuneration of Influential Persons - by the Supervisory Board of the Bank.

In 2024, there were no facts of violation of internal rules by the Management Board members that caused damage to the Bank or its customers.

Procedure for appointment and dismissal of officials

The procedure for the appointment and dismissal of the Bank's officials is determined by the Bank's Charter, Regulations on the Supervisory Board and the Management Board. The relevant documents are available on the Bank's website at the following link: <https://creditudnepr.com.ua/pro-bank/vnutrishni-dokumenty-banku>.

In accordance with the Charter and the Regulation on the Supervisory Board of the Bank, members of the Supervisory Board of the Bank are elected by the General Meeting from among the shareholders of the Bank, their representatives and independent members for a term not exceeding three years.

The Chair of the Supervisory Board of the Bank shall be elected by the members of the Supervisory Board from among them by a simple majority of votes of the total number of votes of the Supervisory Board. The decision on election of the Chair of the Supervisory Board may be made by the General Meeting (the Sole Shareholder of the Bank).

Persons elected as members of the Supervisory Board may be re-elected an unlimited number of times.

The powers of any member of the Supervisory Board may be terminated early by the decision of the General Meeting of Shareholders of the Bank (the Sole Shareholder).

Powers of a member of Supervisory Board can be terminated pre-term:

- 1) at his/her decision with 2-week advance written note to the Bank;
- 2) case of impossibility to act as a member of Supervisory Board due to poor health;
- 3) in case of valid verdict or court decision regarding penalty that makes it impossible for him/her to act as a member of Supervisory Board;
- 4) in case of death, recognition as incapacitated, limitedly capable, disappeared or dead person;
- 5) in case of a note to the Bank on replacement of a member, representing a shareholder;
- 6) in cases when circumstances, in accordance with Ukrainian law, prohibit to work as a member of the Supervisory Board;
- 7) in case of alienation by a shareholder(s), whose representative is a member of Supervisory Board, all shares of the Bank owned;
- 8) in case of loss of impeccable business reputation;
- 9) if an independent member does not comply with requirements to independence, stated in Ukrainian law, Statute and Regulation;
- 10) if General meeting takes decision on termination of powers of a member of Supervisory Board;
- 11) in case of election of new members of Supervisory Board by General Meeting;
- 12) in other cases, in compliance with current Ukrainian law.

In cases under p.p. 6, 8, 9 of previous paragraph a member of Supervisory Board must inform the Bank on occurrence of the circumstances within 1 business day. In cases under p.p. 1-9 of previous paragraph powers of a member of Supervisory Board are terminated without decision of General meeting with similar termination of the respective contract with this person (if the contract with the member of Supervisory Board does not set other rules of termination).

In accordance with the Bank's Charter and the Regulations on the Management Board, the Management Board is formed by the Supervisory Board of the Bank and consists of:

- Chairman of the Management Board;
- First Deputy Chairman of the Management Board (if appointed by the Supervisory Board);
- Deputy Chairmen of the Management Board;
- Other members of the Management Board (hereinafter referred to as the Management Board members).

The number of members of the Management Board is set by decision of the Supervisory Board but it cannot be less than 5 (five) persons.

The Management Board, consisting of the Chair and members of Management Board is elected by Supervisory Board for unlimited time based on terms of labour contract signed with each member of Management Board.

The candidate for Chair of Management Board is selected by Supervisory Board. Candidates for election as members of Management Board are recommended to Supervisory Board by the Chair of Management Board.

Chair of Management Board, chief accountant of the Bank, Chair and members of Supervisory Board take their positions only after approval by National Bank of Ukraine.

As of 12/31/2024, the Management Board of the Bank consisted of: Chair of the Management Board, First Deputy Chair of the Management Board and Deputy Chairs of the Management Board.

The powers of the Chair of the Management Board and members of the Management Board may be terminated early by the decision of the Supervisory Board, as well as in cases stipulated by the legislation of Ukraine, the Charter and agreements (contracts) concluded with them. The Supervisory Board may at any time remove (suspend) the Chair and members of the Management Board from performing their duties.

Authorities of Bank's officials

Authorities of Bank's officials are stated in the laws of Ukraine, Charter of the Bank, Regulations on Supervisory Board and civil-law contracts of the Bank and each member.

The powers and duties of the Supervisory Board members are determined by the current legislation of Ukraine, the Bank's Charter, the Regulation on the Supervisory Board, as well as civil law contracts concluded by the Bank with each member.

E.g., members of Supervisory Board have a right:

- 1) Take part in meetings of Supervisory Board, its committees and Management Board, if needed;

Translation from Ukrainian original

- 2) receive full, reliable and timely information on the Bank, necessary for execution of their functions; review Bank documents, get their copies and copies of documents of Bank subsidiaries;
- 3) make proposal on inclusion of certain issues into agenda of regular/extraordinary meeting of Supervisory Board;
- 4) demand convocation of extraordinary meeting of Supervisory Board;
- 5) present written comments on decisions of Supervisory Board;
- 6) receive fair remuneration and compensation for performance of functions of member of Supervisory Board. The amount of remuneration is set by decision of General meeting payable solely under the terms, set by Regulation on remuneration of members of Supervisory Board, civil-law or labour contracts executed with them.

The rights and duties of the Management Board members are determined by the laws of Ukraine, the Bank's Charter, the Regulations on the Management Board of the Bank and orders of the Chairman of the Management Board, as well as by the employment agreement (contract) concluded with each member of the Management Board.

In particular, members of the Management Board have the right to:

- 1) to receive complete, accurate and timely information about the Bank necessary to perform their functions;
- 2) within the limits of their powers, independently and as a member of the Management Board, resolve issues related to the Bank's current activities;
- 3) be members of the committees of the Management Board of the Bank;
- 4) to make proposals, participate in discussions and vote on agenda items at the meetings of the Management Board and its committees;
- 5) initiate convening of the Management Board meeting;
- 6) submit written comments on resolutions of the Management Board and its committees;
- 7) demand convening of an extraordinary meeting of the Supervisory Board;
- 8) receive remuneration for performing the functions of a member of the Management Board;
- 9) exercise other rights provided for by the laws of Ukraine, the Bank's Charter, the Regulations on the Management Board of the Bank and the employment agreement (contract) concluded between the Bank and a member of the Management Board.

There were no facts of violation of internal rules and regulations by members of Supervisory and Management Board, resulting in damage or losses of the Bank or consumers of financial services.

Segregation of powers between managing bodies

	General meeting of shareholders (Sole shareholder)	Supervisory board	Management board (Executive body)	Not within the competence of any body
Selection of major lines of business (strategies)	Y	Y	N	N
Approval of plans of actions (business plans)	N	Y	N	N
Approval or annual financial statements, or balance sheet, or budget	Y	Y	N	N
Election and termination of powers of Chair and members of executive body	N	Y	N	N
Election and termination of powers of Chair and members of Supervisory Board	Y	N	N	N
Election and termination of powers of Chair and members of revision committee	N	N	N	Y
Setting remuneration of Chair and members of executive body	Y	N	N	N
Setting remuneration of Chair and members of Supervisory Board	N	N	N	Y
Decisions on financial liability of members of executive board	Y	N	N	N

	General meeting of shareholders (Sole shareholder)	Supervisory board	Management board (Executive body)	Not within the competence of any body
Decision on additional issue of shares	Y	N	N	N
Decision on redemption, sale and placement of shares	Y	N	N	N
Approval of external auditor	N	Y	N	N
Approval of contracts with existing conflict of interests	Y	Y	Y	N

The Bank established a position of Corporate secretary of the Bank. A corporate secretary is appointed and dismissed by decision of the Supervisory Board and is directly accountable to Supervisory Board in accordance with organizational structure of the Bank.

On 18.11.2022 Supervisory Board of the Bank appointed Tetiana A. Kuzmenko as a Corporate secretary of the Bank (Minutes №22).

Work of Corporate secretary of the Bank is governed by current Ukrainian law, namely. Law of Ukraine *On Banks and Banking Activities*, Law of Ukraine *On Joint Stock Companies*, regulatory acts of NBU, Bank Statute, Regulation on Supervisory Board of the Bank, Regulation on Corporate secretary of the Bank, other internal documents of the Bank, defining participation of Corporate secretary in Bank processes. Corporate secretary of the Bank is the official who provides for analytical, informational, organizational and technical support and coordination of work of Supervisory Board and its committees, exchange of information between them and shareholders, other persons interested in Bank operation and/or investors, as well as structural departments of the Bank.

The major function of Corporate secretary is provision of effective organizational and informational support of managing bodies of the Bank, its shareholders and other interested parties.

Corporate secretary of the Bank is responsible for efficient interaction of the Bank and its shareholders, coordination of Bank actions regarding protection of rights and interests of shareholders, support of efficient work of Supervisory Board, its committees, as well as performs other functions, set by Regulation on Corporate secretary of the Bank, Ukrainian laws and regulations, internal regulatory documents of the Bank.

On a quarterly basis, the Corporate Secretary of the Bank reports to the Supervisory Board on his work. In particular, the Report for the 4th quarter of 2024 and summarized data for 2024 - 25.02.2025 were reviewed and taken into account by the Supervisory Board, the activities of the Corporate Secretary for 2024 were recognized as effective (Minutes No. 3). The Corporate Secretary's Report contains basic information about the Bank's shareholder, information on the composition and activities of the Supervisory Board and the Management Board, summary data on their meetings and issues considered, information on the status of implementation of the approved Plan of Meetings of the Supervisory Board for 2024. The report also contains information on interaction with regulators, information on updating the Bank's internal regulations governing corporate governance, information on the Bank's provision (publication) of information on its activities in accordance with the laws of Ukraine, including regulations of the NBU and the NSSMC. The report also contains information on participation of the Corporate Secretary and members of the Supervisory Board in educational events to improve their qualifications.

11. Information on results of functioning of internal audit (control) system during the year

In 2024, the Internal Audit Department ensured that all areas of the Bank's activities were audited in accordance with the Strategic Plan for the period 2024-2027 and the Annual Audit Plan for 2024, which were developed on the basis of a risk-based approach and approved by the relevant decisions of the Bank's Supervisory Board.

In accordance with the Audit Plan, the Internal Audit Department in 2024 conducted audits of the Bank's activities in the following areas: “Functioning of the risk management system”, “Lending to individuals and assessment of credit risk management”, “Business recovery planning process and preparation of the Bank's Business Recovery Plan”, “Ensuring information security”, “Organization of the currency control function”, “Capital adequacy assessment process”.

In 2024, comprehensive audits of the Bank's branches and unannounced inspections were conducted to ensure compliance with cash discipline requirements, cash and settlement services to customers, fraud prevention measures, physical and information security of the Bank.

Separate audit objects included in the audit universe are the audit of the “Functioning of the Risk Management System”, which was conducted in 2024, and the “Functioning of the Internal Control System”, which are included as separate audits in the Strategic Audit Plan for the period 2024-2027. In addition, the assessment of the effectiveness and adequacy of the risk management system and internal control system is carried out during each audit as part of the assessment of the control factor “Internal Control and Risk Management” and is taken into account when determining the overall evaluation of the audit results as disclosed in each audit report.

As part of the process review, the audit checks the correctness and reliability of accounting records, the correctness of financial and other reports prepared by the Bank, their completeness and timeliness, including submission to the National Bank of Ukraine, public authorities and governments that supervise the Bank's activities within their competence. The results obtained are summarized and taken into account when determining the overall assessment of the audit results, which is reflected in each audit report.

As at January 01, 2025, the Internal Audit Department conducted a "Generalized Assessment of the Effectiveness of the Bank's Internal Control System". The assessment of the effectiveness of the internal control system (ICS) was carried out in the context of the criteria for assessing the effectiveness of the ICS defined by the Audit Policy, based on the COSO Principles, taking into account the requirements of the NBU. The generalized assessment of the Bank's ICS was determined as "Basically Effective". This assessment means that the Bank's Internal Control System is built and operates, and the individual components of the ICS are effective in all material aspects. There is room for improvement, but it does not lead to the ineffectiveness of the internal control system and does not pose a threat to the achievement of the Bank's objectives.

Based on the results of the inspections, the audit provided recommendations to eliminate the identified violations and deficiencies, improve the risk management system and enhance the Bank's internal control system. Based on the results of each audit, an Action Plan was developed to address the deficiencies and implement the recommendations, with deadlines and responsible persons. The results of the inspections and recommendations of the internal audit were discussed with the heads of departments, the Chair and members of the Management Board of the Bank and submitted for consideration to the Audit Committee of the Supervisory Board and the Supervisory Board of the Bank.

The Internal Audit Department constantly monitors the status of implementation of recommendations/measures to correct deficiencies identified during the audit. The status of implementation of recommendations is submitted to the Management Board for consideration. Based on the results of the monitoring, the Internal Audit Department periodically reports to the Bank's Supervisory Board on the status of implementation by the Management Board and heads of the Bank's divisions of recommendations to eliminate violations and deficiencies in the Bank's activities identified during the audit. The Supervisory Board monitors the activities of the Internal Audit Department and ensures internal and external assessment of its activities, efficiency and quality of the Internal Audit. The internal assessment of the Internal Audit Department is carried out by reviewing and approving the Report on the work of the Internal Audit Department for the reporting year. Based on the results of the review of such a report for 2024, the activities of the Internal Audit Department were recognized by the Supervisory Board as effective.

In 2021, the Bank's internal audit function successfully passed an independent external quality assessment, which is conducted at least once every five years, in accordance with the International Standards for the Professional Practice of Internal Auditing and the requirements of the NBU. The external quality assessment was conducted by KPMG-Ukraine LLC. According to the results of the external assessment, the Bank's Internal Audit Department generally complies with the requirements of International Standards, the Code of Ethics and NBU Regulation No. 311.

12. External auditor

In 2024, PKF UKRAINE LLC acted as external auditor of the Bank. Total years at audit market of PKF UKRAINE LLC is 18 years. PKF UKRAINE LLC provides audit services to the Bank for 7 (seven) years, including the reporting one.

PKF UKRAINE LLC is included in *Audit Entities, Having the Right to Perform Statutory Audits of Financial Statements of Public-Interest Entities* section of Register of auditors and Auditing Entities. The registration number in the Register is 3886.

In addition to the statutory audit of the annual financial statements, during the reporting year, PCF UKRAINE Limited Liability Company also provided the Bank with the following audit services

- audit of the consolidated financial statements of the banking group "CREDIT DNEPR" as at 01.01.2022;
- audit of the consolidated financial statements of CREDIT DNEPR Banking Group as of January 1, 2023 (services have not yet been completed as at the date of this report);
- audit of the consolidated financial statements of CREDIT DNEPR Banking Group as at January 01, 2024 (services were not yet completed as at the date of this report);
- audit of the consolidated financial statements of CREDIT DNEPR Banking Group as at January 01, 2025 (services have not yet been completed as of the date of this report).

Besides, PKF UKRAINE LLC provided consulting services on translation of the financial statements.

External auditor applied the following recommendations of the bodies regulating financial services market:

- art. 127 of Law of Ukraine *On Capital Markets and Organized Commodities Markets*;
- Decision of SCSSE № 555 of 22.07.2021 *On Approval of Requirements to Information on Audit or Review of Financial Statements of Participants of Capital Market and Organized Commodities Market, Overseen by National Commission on Securities and Stock Market*;
- Decree of NBU Board №90 *On Approval of Regulations On Rules of Filing of Auditor's Report Based on Results of Audit of Annual Financial Statements by Banks* of August 2, 2018;

- Decree of NBU Board №373 On Approval of Regulations on Preparation and Publication of Financial Statements by Ukrainian Banks of October 24, 2011.

Rotation of auditors of the financial institution during last six years complied with requirements of Ukrainian law.

There were no penalties imposed on the auditor by Chamber of Auditors of Ukraine in reporting year. There were no facts of filing of misstated financial statements, confirmed by auditor's opinion, identified by regulators of financial services markets.

There were no cases of conflict of interests and/or combining functions of internal auditor.

13. Information on existence of relations with foreign states of risk zone

In accordance with the current legal requirements the Bank performs all necessary procedures and limiting actions to prevent transactions with customers/counterparts controlled or registered in foreign countries of risk zone. There are no legal entities or individuals of citizenship/residency in foreign countries of risk zone in the structure of ownership of the Bank. Information on existence of relations with foreign countries of risk zone is disclosed by the Bank by filing it to SCSSE in accordance with the SCSSE Decree №608 of 06.06.2023.

14. Protection of rights of consumers of financial services by the Bank

Rules and procedures of review of complaints are set by internal Regulation on Review of Appeals of Natural Persons and Legal Entities to JSC "BANK CREDIT DNEPR". The Regulation sets the algorithm of works and areas of responsibility of Bank departments in case of claims and other appeals of customers and third parties, including regulatory bodies, to the Bank and establishment of timely feedback.

During 2024, the Bank received 1136 appeals from the Bank's clients, including: 391 inquiries and requests, 333 complaints, 141 commendations and suggestions. Most of the requests concerned the operation of the Bank's branches, ATMs, contact center and mobile application, requests for deferred debt repayment, transfer of interest on loans, repayment of debt by customers, loan repayment holidays due to the circumstances caused by the war, etc.

The Bank ensures the process of analysing all received customer requests, promptly responding to the received requests, analysing the received customer proposals and taking measures to improve the Bank's products, processes and services based on customer needs.

In 2024, 5 lawsuits related to the protection of the rights of consumers of financial services were filed against the Bank. As at December 31, 2024: 4 lawsuits are pending in the court of first instance and 1 in the court of appeal.

15. Other matters

Facts of alienation of assets above the limits set by the Bank Charter:

The Charter of the Bank does not contain separate provisions on the value of assets to be alienated.

Results of appraisal of assets in case of sale or purchase during the year above the limits set by the Bank Charter:

The Bank's Charter does not contain any specific restrictions on the amount of asset disposal.

Chairman of the Management Board

Sergii PANOVA

Financial director

Andriy BILOUS

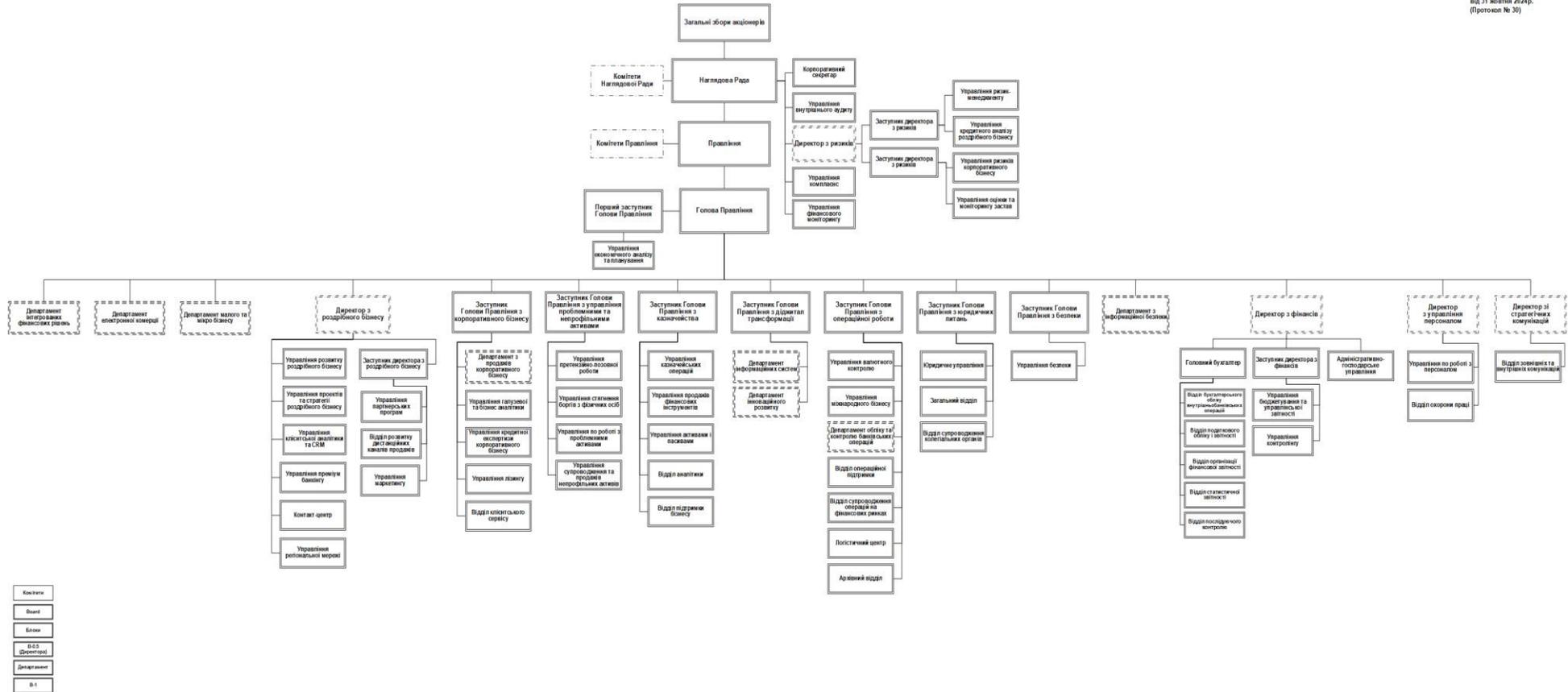
Chief accountant

Ruslan CHUDAKIVSKIY

April 21, 2025

Організаційна структура
АТ «БАНК КРЕДИТ ДНІПРО»
станом на 31.12.2024р.

ЗАТВЕРЖЕНО
рішенням Наглядової Ради
АКЦІОНЕРНОГО ТОВАРИСТВА
"БАНК КРЕДИТ ДНІПРО"
від 31 жовтня 2024р.
(Протокол № 30)



- Кабінет
- Відділ
- Бюро
- Б.С. (Директор)
- Департамент
- Д.С.

INDEPENDENT AUDITOR'S REPORT

Shareholder and Supervisory Board of
JOINT STOCK COMPANY "BANK CREDIT DNEPR"

Report on Audit of Financial Statements

Opinion

We have audited the financial statements of JOINT STOCK COMPANY "BANK CREDIT DNEPR" (the Bank), which comprise the statement of financial position as at December 31, 2024, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements to their preparation established by Ukrainian law.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent to the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (hereinafter referred to as the IESBA Code) and ethical requirements applicable to our audit of financial statements in accordance with the Law of Ukraine "On Audit of Financial Statements and Audit Activities" and 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 *Operating Environment* to the financial statements, which indicates that as of February 24, 2022, operations of the Bank and its counterparts are significantly affected by ongoing full-scale military invasion of Ukraine by Russian Federation, while subsequent developments, impact, and timing of when those actions will cease are uncertain.

As stated in Note 6 *Significant Accounting Assumptions and Estimates*, these events or conditions indicate the existence of a material uncertainty which may cast significant doubt about the Banks's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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 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 the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><i>Allowance for expected credit losses on loans and advances to customers and investments in securities (government and corporate debt instruments)</i></p> <p>The recognition and measurement of expected credit losses ('ECL') is highly complex and involves the use of significant judgment and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objectives of IFRS 9 Financial Instruments. Accordingly, this matter required significant attention from us during the audit.</p> <p>In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The accuracy of the assumptions used in the models, including the macroeconomic scenarios, impacts the level of allowance for impairment.</p> <p>Management exercises judgment in making estimations that require the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions.</p> <p>We identified the issue of impairment of loans and advances to customers and investments in securities (government and corporate debt instruments) as key audit matter due to the materiality of the loan and investments in securities (government and corporate debt instruments) balances, the high complexity and subjective nature of the ECL calculation.</p> <p>Refer to Notes 4 and 6 for significant accounting policies and Notes 9 and 10 for disclosures and details of the methods and models used, allowances for impairment of loans and advances to customers and investments in securities (government and corporate debt instruments).</p>	<p>The controls management established to support their ECL calculations were tested during our audit procedures.</p> <p>We also assessed whether the impairment methodology used by the Bank is in line with IFRS 9 requirements. Particularly we assessed the approach of the Bank regarding application of Significant increase in credit risk ('SICR') criteria, definition of default, The Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') and incorporation of forward-looking information in the calculation of ECL.</p> <p>We have focused on assessing the Bank's assumptions and the expert adjustments applied in the model taking into account the empirical data and the existing credit and monitoring processes.</p> <p>For significant loans and advances assessed for impairment on an individual basis and investments in securities (government and corporate debt instruments) we applied our professional judgement for selection the sample taking into account different risk criteria.</p> <p>For selected loans and advances and investments in securities (government and corporate debt instruments) we checked the stage classification with assessing factors that affect the credit risk.</p> <p>Whereas, for selected impaired loans and advances (Stage 3) we tested the assumptions used in the ECL calculation, particularly expected scenarios and probabilities assigned to them and the timing and amount of expected cash flows, including cash flows from repayments and realization of collaterals.</p> <p>For individually insignificant loans and advances which are assessed for impairment on a portfolio basis we performed such procedures as testing the reliability of key data inputs and related management controls, examination of key management's judgements and assumptions, including the macro-economic scenarios and the associated probability weights, analysing of impairment coverage of credit portfolio and its changes.</p>

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investment property and fixed assets (real property)	
<p>The valuation of investment property and fixed assets (real property) is important for our audit, due to the materiality of such property and the subjective nature of the valuations. In line with IAS 40, Bank values its investment property at fair value and in line with IAS 16 Bank values its fixed assets (real property) at fair value.</p> <p>The process of revaluation of the investment property and fixed assets is performed on a regular basis, in which each property is valued by an independent real estate valuation expert. At least annually the Bank performs an external evaluation of such assets.</p> <p>We refer to the financial statements Notes 4 and 6 for information on principal accounting policies. The valuation of the investment property is disclosed in Note 11 and fixed assets (real estate) in Note 14.</p>	<p>We have performed procedures for assessing the risks of material misstatement in the Bank's accounting estimates based on our testing procedures. We examined whether the fair value of the relevant properties as at December 31, 2024, was consistent with the valuation reports of the independent appraisers.</p> <p>We have performed procedures to determine the quality and objectivity of independent real estate valuation experts, the appropriateness of the parameters used and the correct recording of the revaluation.</p>
Valuation of deferred tax asset	
<p>As at December 31, 2024, the Bank has significant balances of recognised deferred tax asset. As disclosed in Notes 4, 6 and 15, the Bank has recognised deferred tax asset to the extent that it is probable that unused tax losses will be utilised.</p> <p>We have identified the recognition and measurement of deferred tax asset as one of the most significant matters, as the process of assessing the adequacy of planned profit to realize the recognized amount of deferred tax asset and the ability to plan taxes in line with eligible tax losses carry forward term, that is not limited by the current tax legislation. It depends on significant judgments about expectations of future events and is based on assumptions influenced by predictive estimates of future market or economic conditions.</p>	<p>We reviewed management's estimates of how the temporary differences will be utilized, including the analysis of the recoverability of deferred tax assets, comparing those estimates with other evidence we have obtained during the course of our audit of other elements, including cash flow forecasts, business plans, minutes of meetings of the Bank's governing bodies and our knowledge of the Bank's business. We considered the Bank's development strategy and business plan, which were used by management in estimating future taxable profits and the amount of deferred tax asset.</p> <p>We also assessed the adequacy of the Bank's disclosures about those assumptions that have the most significant impact on the recognition of deferred tax asset in respect of accumulated tax losses that are carried forward.</p>

Information that is not financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Issuer report with the Management report and Corporate governance report for 2024 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 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 obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 auditor's 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Supervisory Board of the Bank 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, related safeguards.

From the matters communicated with the Supervisory Board of the Bank, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legislative and Regulatory Requirements

Report on the requirements of the National commission on securities and stock exchange

(This section of the independent auditor's report is included in accordance with Requirements to information related to audit or review of financial statements of participants at capital and organized commodities markets, overseen by National commission on securities and stock exchange, approved by Decision of National commission on securities and stock exchange N 555 of 22.07.2021, hereinafter – Requirements 555 and in accordance with the Regulations on disclosure of information by issuers of securities and entities providing collateral for such securities, approved by the decision of the NSSMC dated 06.06.2023 No. 608, hereinafter - Regulation 608).

Information in line with p. 10 of section I of Requirements 555 is presented in Information on Audit entity performing audit of financial statements section of independent auditor's report.

Additional information in line with Chapter 1 of section II of Requirements 555

1. Full name (in the meaning of Civil Code of Ukraine) of legal entity (applicant or participants at capital and organized commodities markets):

JOINT STOCK COMPANY "BANK CREDIT DNEPR";
2. In our opinion, the Bank complies with requirements, set forward by Regulation on form and content of ownership structure, approved by Order of Ministry of finances of Ukraine N 163 of March 19, 2021, registered by Ministry of Justice of Ukraine on June 8, 2021, registration number 768/36390, regarding completeness of disclosure on information on ultimate beneficiary owner and structure of ownership;
3. a) the Bank is not a controller/participant of non-banking financial group;
b) the Bank is Public Interest Entity;
4. The Bank has no parent/subsidiary companies;
5. NCSSE rules and regulations do not imply prudential indicators for the sector where the Bank operates, therefore auditor's opinion on correctness of calculation of respective prudential indicators was not expressed.

Additional information in line with Chapter 8 of section II of Requirements 555 and paragraph 45 of section III of Regulation 608

Report on Corporate governance report

We reviewed information presented in Corporate governance report of the Bank as a component of Management report (hereinafter – Corporate governance report).

Management of the Bank is responsible for Corporate governance report and its preparation in accordance with part 3 of Article 127 of Law of Ukraine “On Capital and Organized Commodities Markets”.

Our review of Corporate governance report, including information, stated in p.p. 1 – 4 of part 3 of Article 127 of Law of Ukraine “On Capital and Organized Commodities Markets”, including and additionally specified in subparagraphs 1-5 of paragraph 43 of Regulation 608, included examination whether the information, presented in the Report, contradicts to the financial statements, and whether the Corporate governance report is prepared in compliance with current laws and regulations. Our review of Corporate governance report is not an audit, performed in accordance with International standards on auditing, being of much lesser scope. We believe that, as a result of our review, have a basis for our opinion.

Opinion

The Corporate Governance Report has been prepared and the information disclosed herein is in accordance with the requirements of part 3 of Article 127 of Law of Ukraine “On Capital and Organized Commodities Markets”. Information, stated in p.p. 5 – 9 of part 3 of Article 127 of Law of Ukraine “On Capital and Organized Commodities Markets”, including those additionally specified in subparagraphs 6-11 of paragraph 43 of Regulation 608, namely, description of major characteristics of internal-control and risk-management systems of the Bank; information on the availability of the Bank’s approved risk appetite declaration, as well as a description of the key provisions of the Bank’s risk appetite declaration; list of persons, who directly or indirectly own a significant share in the Bank; information on any limitations of right to participate and vote at general meeting of the Bank; rules and procedures of appointment and dismissal, and powers of Bank officials, presented in Corporate governance report, does not contradict to information gained during our audit of financial statements and complies with requirements of Law of Ukraine “On Capital and Organized Commodities Markets”.

Information on Auditing entity performing audit of financial statements

Full name of legal entity in accordance with constituent documents:

- PKF UKRAINE LIMITED LIABILITY COMPANY (ID code of legal entity 34619277);

Information on inclusion into Register of auditors and auditing entities:

The audit firm is registered in Auditing Entities, Having the Right to Perform Statutory Audits of Financial Statements of Public-Interest Entities section of Register of auditors and Auditing Entities. Registration number 3886;

- Address of the legal entity and factual place of business:

4 floor, 52 Khmelnytskoho Bohdana Str., Kyiv 01054

- Webpage/website of the audit entity:

www.pkf.ua

- Date and number of the audit agreement:

Agreement № 39 of 08.10.2024

- Beginning and closing dates of the audit:

Beginning date: 09.10.2024

Closing date: 23.04.2025

Additional information in accordance with the Law of Ukraine “On the Audit of Financial Statements and Auditing Activities”

We have been appointed for statutory audit of the annual financial statements of the Bank by resolution of the Supervisory Board of 01.10.2024. The total duration of our audit engagements with the Bank is 7 years, including the reporting year.

During our audit of the financial statements, resulting in issuance of this Independent auditor’s report, we performed audit procedures regarding assessment of risk of material misstatement of information in the financial statements, being audited, including fraud.

Significant risks that required our attention but did not modify our opinion are disclosed in *Key Audit Matters* and *Material uncertainty related to going concern* sections of our report.

We have designed and performed risk-assessment procedures to obtain audit evidence as a proper basis for identification and assessment of risk of material misstatements, whether due to fraud or error, at the level of financial statements of the Bank and assertions therein. We have designed further audit procedures to identify irregularities, including fraud, and get reasonable assurance to express our opinion on the financial statements in general.

As the Bank operates in a strictly controlled environment, our assessment of risk of material misstatements covered control environment, including procedures applied by the Bank to comply with regulatory requirements. Our assessment included review of key structures, policies and standards, understanding and evaluation of supervisory function and internal control in their design and implementation, as well as monitoring of compliance and testing or related controls.

We obtained an understanding of laws and regulations applicable to the Bank and determined the most significant requirements directly related to specific assertions in the financial statements. In particular, these requirements relate to compliance of economic ratios and other laws and regulations.

ISAs limit necessary audit procedures for identification of non-compliance with laws and regulations by enquiries to management, those charged with governance, if necessary, and review of correspondence, if any, with respective licensing bodies and regulators. If non-compliance is not disclosed to us or is not evident from respective correspondence, audit may not identify this non-compliance.

Based on the results of our audit, we did not identify any deficiencies that could have a material effect on the financial statements.

Our report is agreed to additional report for Audit committee of Supervisory Board of the Bank.

We did not provide any services to the Bank, prohibited by article 6 of the Law of Ukraine “On Audit of Financial Statements and Audit Activities”.

“PKF UKRAINE” LLC audit firm and the engagement partner on the audit (key audit partner) of the financial statements of the Bank as at December 31, 2024, are independent from the Bank.

We and other members of PKF Global network, as well as other entities controlled by our firm, did not provide any other than statutory audit, services, information on which is not disclosed in management report and/or financial statements

The purpose of our audit is to increase degree of confidence of intended users to the financial statements of the Bank. It is achieved by expressing our opinion whether the financial statements are prepared in all material aspects in accordance with International Financial Reporting Standards (IFRSs). We conducted our audit in accordance with ISAs and respective ethical requirements; it gives us the possibility to formulate our opinion. Inherent limitations of an audit result in most audit evidence on which the auditor draws conclusions and bases the auditor’s opinion being persuasive rather than conclusive, so, audit is not an absolute guarantee that the financial statements are free of misstatements, and our audit does not guarantee future sustainability of the Bank efficiency or effectiveness of Bank management.

The engagement partner on the audit (key audit partner) resulting in this independent auditor's report is Sviatoslav Biloblovskyi.

Engagement partner on the audit
(Registration Number in the Register of Auditors and Auditing Entities 100190)

Sviatoslav BILOBLOVSKYI

On behalf of PKF UKRAINE LLC
Director



Iryna KASHTANOVA

Kyiv, Ukraine

April 23, 2025