Translation from Ukrainian original

PJSC “BANK VOSTOK”

Management report, financial statements
with the independent auditor's report for the year
ended 31 December 2024

Translation from Ukrainian original

PJSC "BANK VOSTOK"

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Address from the Chairman of the Supervisory Board

Dear customers and partners of the Bank!

For three years now, PJSC "BANK VOSTOK" (hereinafter referred to as the "Bank" or "Bank Vostok") has been operating in a war condition. Despite the circumstances we are facing, the Bank continues to develop and achieve its goals. This is in particular thanks to the support of the Bank's shareholders, customers, and partners.

We continue to develop new technologies for your banking convenience and ensure reliable protection of your financial interests.

Thanks to our strategic plan, dedication, and professionalism, we have achieved stable financial growth and been able to cope with the challenges we faced.

Our financial indicators prove the stability and reliability of our Bank in the Ukrainian market.

It is important for us to remain open with you, and thanks to your support, we will be able to reach new heights next year.

Thank you for your trust and active participation in the life of our Bank!

Address by the Chairman of the Management Board

Introduction to the Bank’s performance in 2024

For the third year in a row, we have been steadily overcoming all challenges together with the country and continuing to work uninterruptedly in the difficult conditions of a full-scale invasion, consolidating, working in a particularly stressful and multi-tasking mode, bearing responsibility for the safety of our customers’ funds, lending to Ukrainian and international businesses, and providing comprehensive services to both individuals and legal entities.

The Bank performs its direct duties in all types of operations for which it is licensed, and our employees surpass themselves every day and strive to do even more. We continue to implement new areas of work and scale up, take care of our customers during this difficult period, actively engage in volunteer work, and help the Armed Forces of Ukraine.

Continuous operation of the Bank

We are proud of how we have optimized our processes and organized everything in such a way as to ensure the stable operation of the Bank and uninterrupted access to all financial services for our customers. The Bank guarantees uninterrupted operation of its remote service channels and responds promptly to all customer requests.

Even when, at 2 a.m. on 20 July 2023, an enemy missile hit a building adjacent to the Bank’s office on Kanatna Street in Odesa, our team joined efforts and did everything possible to fulfill our obligations to our customers by 9 a.m. the next day.

Despite all the challenges of a full-scale war, we responsibly comply with the requirements of the National Bank of Ukraine and adhere to International Financial Reporting Standards. Every day, we adapt to new conditions. We are currently undergoing an audit by the international auditing company Ernst & Young: Audit Services LLC in order to maintain our high standards of work. The bank diligently complies with all regulatory changes in legislation – no matter how challenging they may be for us, we understand and fully support the need for their implementation.

Corporate business and participation in government programs

In 2024, the Bank took a proactive stance on launching/expanding cooperation with various government and private institutions:

- cooperation with PJSC “EXPORT-CREDIT AGENCY” – the first export credit insurance agreement was concluded for a Bank client in Odesa in the amount of EUR 1 million;

- bilateral cooperation with the Fund for Partial Guaranteeing of Loans in Agriculture. The Bank has been accredited by this Fund and has also adapted its existing regulatory framework in accordance with the World Bank’s Environmental and Social Management System (ESMS) guidelines: in 2024, the first projects in this area began to arrive, and we expect them to be implemented in the first quarter of 2025;

- The Bank was the first among all banks in Ukraine to sign a Memorandum of Accession to the "Made in Ukraine" program, within the framework of CMU Resolution No. 952 on partial compensation for the cost of domestically produced machinery and equipment;

- In December 2024, Bank Vostok and the Ministry of Agrarian Policy and Food of Ukraine entered into an agreement on information exchange. Under this agreement, the Bank was connected to the State Agrarian Register of Ukraine (SAR);

- The Bank is actively involved in projects to develop and restore energy infrastructure. At the first Banking Forum during the war, organized by Ekonomichna Pravda in July 2024, the Bank signed a memorandum on lending for energy efficiency projects together with 17 of the country's largest banks;

- Throughout 2024, the Bank continued to actively use state portfolio guarantee mechanisms, which contribute to more confident work with borrowers from various sectors of the economy, primarily the agricultural business, as 80% coverage of the lending limit by a state guarantee enables the Bank to more effectively manage risks when opening financing, and the borrower can apply for financing even in situations where it does not have a sufficiently diverse pool of collateral to enter into a loan agreement;

- Throughout 2024, we actively sought to meet our customers' needs by developing mechanisms for more effective cooperation, which resulted in the introduction of a "Simplified Approach to Lending to Borrowers" and the full launch of a "Convenient Guarantee", which enabled the Bank to optimize both the process of issuing loans and guarantees and the provision of loans and guarantees, respectively;

- In 2024, the State resumed compensation from the state budget under the "25% Compensation for the Cost of Purchased Agricultural Equipment" program. We were able to quickly adapt to the launch of this program in 2024, allowing the Bank's customers to receive compensation from the budget for domestically produced agricultural equipment. The program was restarted in July 2024, and by the end of 2024, the Bank's customers had received more than UAH 5,000 thousand in compensation under this program.

In 2024, the provision of guarantees in favor of the State Customs Service of Ukraine (SCSU) actively developed, i.e., bank guarantees to ensure customs payments, which became a useful financial instrument for Ukrainian companies engaged in the import or export of products. At the end of the year, the portfolio of such guarantees amounted to UAH 152,000 thousand.

The bank continues to actively participate in state support programs, including those for small and medium-sized businesses, namely: "Affordable Loans 5-7-9" and "Affordable Factoring". Within the "Affordable Loans 5-7-9" program, attention is focused on priority economic sectors, such as energy efficiency, manufacturing, agriculture, etc.

In 2024, the Bank implemented an Environmental and Social Management System to assess low and moderate risks of credit projects in agriculture and processing under the "Affordable

Loans 5-7-9” Program in accordance with the requirements of the World Bank and the Entrepreneurship Development Fund3.

Development of services for individuals in wartime

2024 marked an important milestone in the development of Bank Vostok’s payment technologies. We introduced innovative solutions that made paying for services more convenient, faster, and safer. The development of digital services helps customers save time and simplifies the payment process in today’s reality. In addition, the Bank has expanded the range of services available to customers, particularly in the field of insurance.

QR payments: fast, convenient, reliable

Time and safety are top priorities for people during these challenging times. We have introduced QR code payments, allowing you to make payments instantly without having to enter your details manually. Now, all you need to do is simply scan the QR code and the payment will be made instantly. This not only speeds up the process, but also reduces the likelihood of errors when entering details.

New service: search for debts by address

Another important achievement of the year is the introduction of a function in the mobile app to search for debts by address for utility bills. Clients can now find out the amount to be paid without having to search for receipts or clarify information with service providers.

In addition, this service offers a convenient option – monthly reminders about utility payments. This helps customers pay their bills on time and avoid late fees.

New opportunities: purchasing insurance products at the Bank

Since 2024, we have introduced the option of purchasing any insurance product at Bank branches. This allows customers to easily obtain insurance coverage with no extra effort or additional visits to insurance companies.

In 2025, Bank Vostok will continue to expand digital capabilities for its customers. Key priorities include:

- increasing the number of direct agreements with service providers, which will allow customers to pay bills without intermediaries and additional commissions;
- expanding the list of payment templates in online channels to make payments even easier and faster;
- conducting promotional programs, both on its own and jointly with partners, to increase customer loyalty and motivate them to use the bank’s digital channels;
- launching the option to purchase insurance policies directly in the mobile app, which will make the insurance process as convenient as possible for customers.

In 2024, the active development of the Vostok Bank mobile app continued. The mobile app is already used by more than 260,000 Bank customers, which is 62% more than in 2023. This year, Bank customers made more than 9 million payments (twice as many as in 2023), opened more than 79,000 current accounts (5 times more than in 2023) and more than 5,000 deposit accounts (4 times more than in 2023), and more than 23,000 customers underwent re-identification.

New opportunities that appeared in the mobile app in 2024, include currency exchange; card delivery in Ukraine and worldwide; payments using NBU QR technology; cross-border transfers from card to card; a service for receiving financial documents from customers; the ability for trusted persons to use the app; all popular references can now also be obtained online; a section with frequently asked questions and answers has been added; a section with tariffs has been added; a credit limit management feature has been added – to reduce or initiate a request for an increase.

We are continuing to develop the driver product – the “Cashback Card” credit card. In 2024, over 50 million credit limits were set for the Cashback Card. We are working on developing a loyalty program for the Cashback Card and new credit products related to the credit card.

The Bank places special emphasis on its customers who receive salaries. For them, the Bank develops individual terms of service and lending and introduces additional services. In 2024, for example, we developed and implemented the option of opening accounts and ordering cards for receiving salaries remotely. From now on, employees of companies with which the Bank has a salary project service agreement do not need to visit a Bank branch in person. No matter where they are in Ukraine or even abroad, customers can remotely open a current account for receiving salaries and order a card with delivery. This relevant and innovative solution significantly expands the range of services available to individuals today.

Support and charity in 2024

Charity has always been an integral part of Bank Vostok’s activities. It is our firm belief that Ukrainian businesses should not only pursue financial goals, but also help those who need it most, especially in difficult times for the country. From the very first days of the full-scale war, the Bank has been actively involved in helping the Armed Forces of Ukraine. We also continue to provide ongoing support to medical institutions and charitable foundations, support the children of military personnel, and actively promote the development of culture.

In 2024, the Bank allocated over UAH 27 million to charity.

These funds were distributed as follows:

- Assistance to the military – over UAH 4 million.

Transport spare parts, tires, Starlink satellite modems, Xiaomi TVs, UAVs, Amulet shields, charging stations were transferred, and blood transfusion devices were transferred to the Military Medical Clinical Center.

• Assistance to the “Miloserdya Viktor” Charitable Foundation – over UAH 12.7 million. As a result:

- military vehicles, quadcopters, auto parts, technical fluids, night vision devices, rehabilitation trainers, virtual reality glasses, tracking systems, laptops, and other equipment were transferred;
- drones, equipment, and electronics were purchased for the State Emergency Service of the Odesa region. A vehicle was re-equipped, which significantly improved the capabilities of rescuers in performing their tasks;
- necessary medical supplies were purchased for the military medical hospital in the Odesa region, which ensured proper care for wounded defenders;
- four children’s health camps were organized for children of military personnel who were killed or missing in action, where children received psychological support, participated in developmental activities, and spent time in a safe environment.

• Assistance in promoting cultural development – over UAH 2.4 million.

This assistance was provided to the Association of Chess and Checkers Clubs of Odesa Region, Odesa National Scientific Library, Odesa Academic Ukrainian Theater, and others.

• Social assistance – over UAH 4.5 million.

In particular, UAH 1 million was allocated to the National Tourism Organization of Ukraine to organize Odesa Revival Economic Forum, and over UAH 800,000 was allocated to citizens for treatment and support in difficult circumstances.

• Assistance to charitable foundations – over UAH 1.7 million.

In particular, UAH 1.4 million was allocated to the Superhumans Charitable Foundation for the creation of the Superhumans Center, a multifunctional facility.

• Assistance to medical institutions – UAH 1 million was transferred to the OKHMATDYT National Children’s Specialized Hospital of the Ministry of Health of Ukraine.

Assistance was also provided to other charitable foundations and public organizations.

In conclusion, the significance and importance of assistance cannot be measured in numbers. Any action we take is important, and every hryvnia can change someone’s life for the better, help those who bravely defend our country, and those who especially need support in difficult times. The bank is proud to contribute to bringing our victory closer!

Achievements in 2024

• The bank won the “Best Cashback Card” award at the 16th All-Ukrainian “Bank of the Year – 2024” competition.

The competition was organized on the initiative of the International Financial Club “BANKIR” and with the support of the Verkhovna Rada Committee, the Ministry of Finance of Ukraine, the Ministry of Economy of Ukraine, the Independent Association of Ukrainian Banks (NABU), the Association of Ukrainian Banks (AUB), and Vadym Hetman Kyiv National Economic University (KNEU).

Receiving an award at the All-Ukrainian Bank of the Year 2024 competition is a great honor for the Bank, as the results were based on important qualitative indicators of the performance of the largest Ukrainian banks, such as: customer trust, impeccable business reputation, transparency and openness of operations, innovation, and, of course, financial stability in these difficult times of war.

• On March 7, 2024, the international rating agency Moody's confirmed Bank Vostok's long-term and short-term ratings in hryvnia and foreign currency at "Caa3/NP". At the same time, Moody's improved its outlook for long-term deposit ratings from "negative" to "stable". Moody's also upgraded the Bank's national scale ratings: long-term bank deposit ratings and CRR to "Caa2.ua" from "Caa3.ua".

• On November 26, 2024, the independent rating agency Credit-Rating confirmed Bank Vostok's long-term credit rating at uaAAA. The rating outlook is stable. The agency also confirmed Bank Vostok's bank deposit reliability rating at "5" (highest reliability).

• Bank Vostok became the first Ukrainian bank to launch a remote current account opening service for receiving salaries via payment cards.

• Two female executives of the Bank were once again ranked among the most influential women in fintech. Liia Morokhovska and Khrystyna Karmazina were included in the "Top 50 Most Influential Women in Fintech in Ukraine" for the second time according to the Ukrainian Association of Fintech and Innovation Companies. This ranking annually recognizes the achievements of women who are changing financial technology through their innovation and leadership, shaping the face of the modern financial sector, and inspiring a new generation to reach new heights in this field.

1. General information about the Bank

Nature of business

PUBLIC JOINT STOCK COMPANY "BANK VOSTOK" shall be the successor to all rights and obligations, funds and property of PUBLIC JOINT STOCK COMPANY "HOME CREDIT BANK", which, according to the protocol of the General Meeting of Shareholders dated 1 February 2011, changed its name and is the successor of OPEN JOINT STOCK COMPANY "HOME CREDIT BANK", which, according to the protocol of the Constituent Meeting of Shareholders No. 1 dated 16 December 2008, was reorganized by transformation, is the successor to all rights and obligations, funds and property of CLOSED JOINT STOCK COMPANY "HOME CREDIT BANK", is the successor to all rights and obligations, funds and property of the Closed Joint Stock Company "Agrobank".

1	Full name of the bank in Ukrainian	ПУБЛІЧНЕ АКЦІОНЕРНЕ ТОВАРИСТВО «БАНК ВОСТОК»
2	Abbreviated name (used when conducting transactions)	ПАТ «БАНК ВОСТОК»
3	Name in a foreign language	PUBLIC JOINT STOCK COMPANY "BANK VOSTOK"
4	Date of state registration	17 October 2002
5	Registration number	12241050010009991
6	Location of the bank	Ukraine, 49051, Dnipro, 24 Kursantska Street
7	Amount of paid-up registered share capital of the bank as at 31 December 2024	UAH 1,517,171,805

The Bank operates on the basis of a banking license by providing banking and financial services, as recorded in the State Register of Banks under No. 204, dated 17 October 2002, which grants the legal entity the right to conduct banking activities. In addition to banking and financial services, the Bank also carries out other activities specified in Article 47 of the Law of Ukraine "On Banks and Banking Activities".

The Bank's policy is based on providing a wide range of banking services, the foundation of which lies in the quality and corporate style of service and trusting partnerships with clients. Throughout its years, the Bank has successfully built up its economic and management potential to ensure stable growth of financial indicators, create a solid business reputation among customers and business partners, and strengthen its competitiveness in the banking services market.

The Bank made no share acquisitions in 2024. During 2024, the Bank did not repurchase any of its own shares.

The Bank is registered at the following address: Ukraine, Dnipro, 24 Kursantska Street. The Bank's head office divisions are located at the following addresses: Ukraine, Odesa, 39 Mykhaila Hrushevskoho Street, and Ukraine, 12 Krutohirnyi Descent. Based on its banking license, the Bank is authorized to provide banking and other financial services (except for insurance services), as well as to carry out other activities specified in Article 47 of the Law of Ukraine "On Banks and Banking Activities", both in national and foreign currencies.

In accordance with the legislation of Ukraine, the Bank shall provide its customers with the following financial services:

- financial leasing;
- attraction of financial assets with an obligation to return them;
- provision of guarantees;
- factoring;
- financial payment services;
- trade in currency values;
- provision of funds on loan, including on financial credit terms;
- professional activities on capital markets;
- activities in the pension savings system;
- other financial services permitted to the Bank in accordance with the current legislation of Ukraine.

In addition to providing financial services, the Bank has the right to carry out activities related to:

- investments;
- issuance of own securities;
- safekeeping of valuables (including the accounting and safekeeping of securities and other valuables confiscated (seized) in favor of the state and/or recognized as ownerless) or provision of individual bank safe deposit boxes for lease (rent);
- collection of funds and transportation of currency valuables;
- provision of consulting and information services regarding banking and other financial services.

The Bank is an active member of the Ukrainian stock market and the National Depository System, namely:

- client of PJSC "National Depository of Ukraine";
- client of the Depository of the National Bank of Ukraine;
- client of PJSC "Settlement Center for Servicing Contracts on Financial Markets";
- participant in trading on PJSC "PFTS Stock Exchange" and JSC "Ukrainian Exchange";
- member of the Professional Association of Capital and Derivatives Market Participants (PARD).

The Bank, through its subsidiary, has many years of experience in the stock market providing depository services. The Bank conducts all types of securities transactions provided for by NBU License No. 204 dated 18 October 2011, and licenses issued by the National Securities and Stock Market Commission:

1. Series AE No. 286862 dated 8 May 2014, "Securities Trading Activities – Brokerage Activities", which, pursuant to paragraph 10 of Section XIII of the Law of Ukraine "On Capital Markets and Organized Commodity Markets", is deemed to have been reissued as a license for

professional activity in capital markets for trading in financial instruments, which includes sub-brokerage and brokerage activities.

2. Series AE No. 286863 dated 8 May 2014, “Securities Trading Activities – Dealer Activities,” which, pursuant to paragraph 10 of Section XIII of the Law of Ukraine “On Capital Markets and Organized Commodity Markets” is deemed to have been reissued as a license for professional activity in capital markets for trading in financial instruments, including dealer activity.

3. Series AE No. 263292 dated 10 September 2013, “Depository Activity – Depository Activity of a Depository Institution”.

4. Series AE No. 263291 dated 10 September 2013, “Depository Activity – Activity Related to the Storage of Assets of Joint Investment Institutions”.

The Bank is a member of the Deposit Guarantee Fund (registration certificate No. 157 dated 19 November 2012), operating in accordance with Law No. 4452-VI “On the Deposit Guarantee System” dated 23 February 2012.

The Bank is not affiliated with foreign countries in the risk zone under any of the following items:

1) the presence in the issuer’s ownership structure, compiled in accordance with the requirements of Appendix 6 to these Regulations, of individuals who are citizens of a foreign country in the risk zone;

2) the presence in the issuer’s ownership structure, compiled in accordance with the requirements of Appendix 6 to these Regulations, of individuals whose permanent place of residence is in foreign countries in the risk zone;

3) the presence in the issuer’s ownership structure, compiled in accordance with the requirements of Appendix 6 to these Regulations, of legal entities whose place of registration is a foreign state in the risk zone;

4) the presence in the issuer’s management bodies of individuals who are citizens of a foreign state in the risk zone;

5) the presence of business relations between the issuer and counterparties/clients of a risk zone country or counterparties/clients controlled by a risk zone country;

6) the location of subsidiaries/enterprises, branches, representative offices and/or other separate structural units of the issuer in the territory of a risk zone country;

7) the presence of legal entities whose founder, participant, or shareholder is the issuer together with the persons specified in subparagraphs 1-3 of this paragraph;

8) the presence of corporate rights in a legal entity registered in a foreign state in the risk zone;

9) the presence of securities (other than shares) of a legal entity registered in a foreign country in the risk zone.

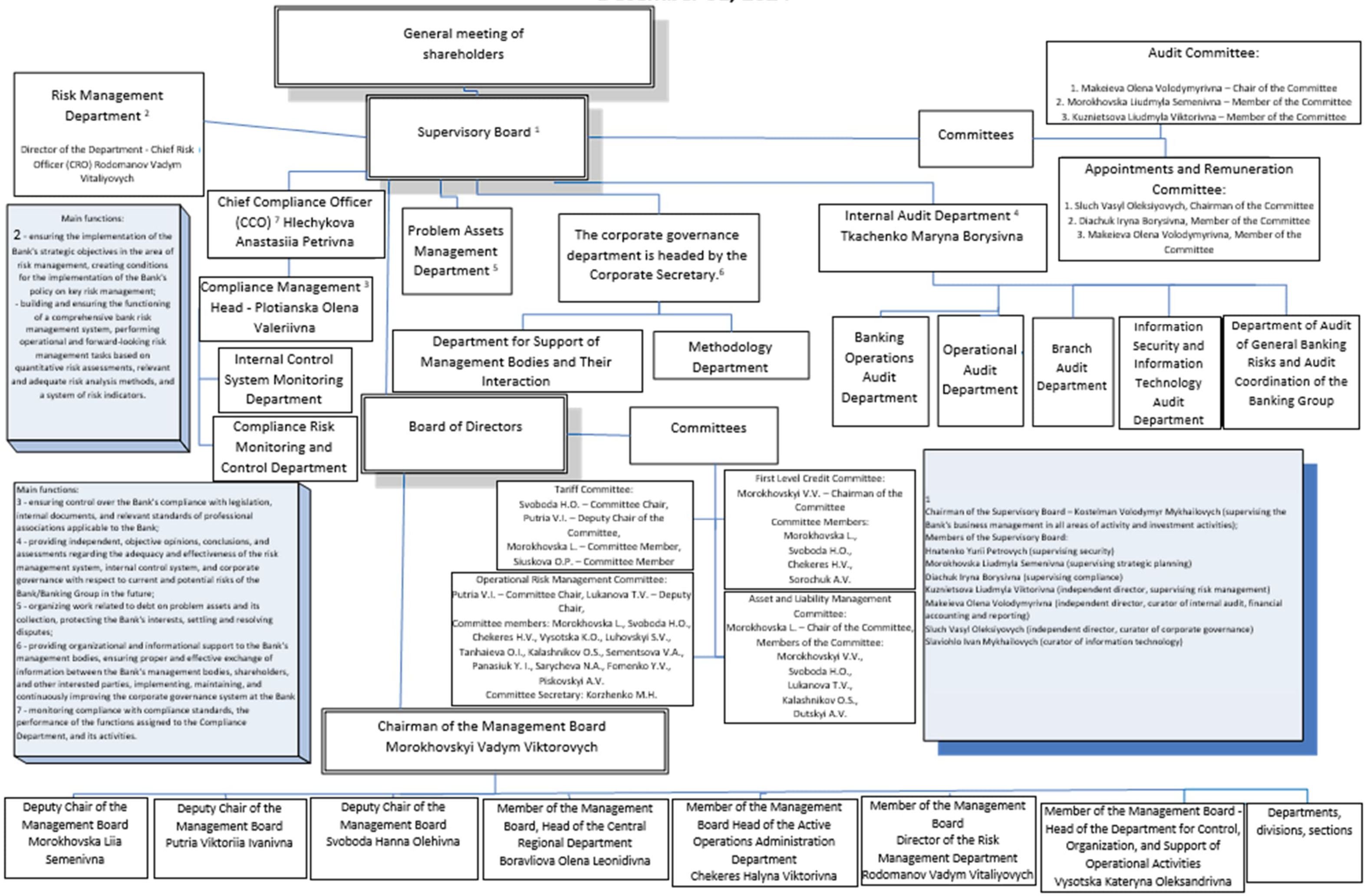
1.1 Significant shareholders

The sole shareholder of the Bank, owning 100% of the Bank's shares, is Vostok Capital Limited Liability Company, incorporated and existing under the laws of Ukraine. The ultimate beneficial owners of the Bank are V.M. Kostelman, V.V. Morokhovskyi, and L. Morokhovska.

1.2 Organizational structure of the Bank and information on management

Organizational structure of the Bank

Management and organizational structure of PJSC “BANK VOSTOK” as of December 31, 2024



The executive body of the Bank is the Management Board, which manages the Bank's current activities, establishes the funds necessary for the Bank's statutory activities, and is responsible for the effectiveness of its work in accordance with the principles and procedures established by the Charter, the decisions of the General Meeting, and the Supervisory Board.

The Management Board of the Bank has established the following standing committees:
- ✓ Credit Committee;
- ✓ Tariff Committee;
- ✓ Asset and Liability Management Committee;
- ✓ Operational Risk Management Committee.

The Management Board of the Bank determines the tasks, functions, and procedure for the work of the Management Board committee and the adoption of its decisions in the regulations on the relevant committee.

Composition of the Management Board of the Bank as at 31 December 2024:

Morokhovskyi Vadym Viktorovych – Chairman of the Management Board.
Honored Economist of Ukraine. In the banking industry since 1991.

Svoboda Hanna Olehivna – Deputy Chair of the Management Board.
In the banking industry since 1996.

Putria Viktoriia Ivanivna – Deputy Chair of the Management Board.
In the banking industry since 1997.

Morokhovska Liia – Deputy Chair of the Management Board.
In the banking industry since 1996.

Chekeres Halyna Viktorivna – Member of the Management Board/Head of the Active Operations Administration Department.
In the banking industry since 1988.

Boravliova Olena Leonidivna – Member of the Management Board/Head of the Central Regional Department.
In the banking industry since 1993.

Rodomanov Vadym Vitaliyovych – Member of the Management Board/Director of the Risk Management Department.
In the banking industry since 1996.

Vysotska Kateryna Oleksandrivna – Member of the Management Board/Head of the Department of Control, Organization, and Support of Operational Activities.
In the banking industry since 2003.

The Supervisory Board of the Bank is the body that controls the activities of the Bank's executive body and protects the rights of depositors, other creditors, and participants of the Bank.

The Supervisory Board does not participate in the day-to-day management of the Bank.

The Supervisory Board is responsible for the strategic management of the Bank and for the creation of a comprehensive, adequate, and effective system for managing the risks to which the Bank is exposed in its activities. It is also in charge of creating and ensuring the functioning of an effective process for managing problem assets at the Bank.

The Supervisory Board shall ensure that the Bank's development strategy and business plan are consistent with the Bank's main activities as determined by the General Meeting, as well as with the Bank's risk management strategy and risk profile.

The Supervisory Board ensures the implementation of a corporate culture in the Bank focused on responsible and ethical behavior, defines the Bank's corporate values and ensures that they are communicated to the Bank's management, control department heads and other Bank employees, and that other interested parties have the opportunity to familiarize themselves with them.

The Supervisory Board of the Bank has established committees composed of its members to conduct preliminary studies and prepare for consideration at Supervisory Board meetings of issues within its competence: the Audit Committee and the Appointments and Remuneration Committee.

Each committee consists of three members, two of whom are independent members of the Supervisory Board. The committees are chaired by independent members of the Supervisory Board.

The functions, powers, responsibilities, and interaction of the management bodies and their committees are set out in the Bank's Articles of Association and the relevant Regulations, which are reviewed at least once a year.

The Bank's Charter includes provisions that limit the powers of the executive body to make decisions on behalf of the joint-stock company regarding the conclusion of contracts, taking into account their amount.

In addition, the Charter and internal documents of the Bank contain provisions on the prevention, identification, and management of conflicts of interest, i.e., conflicts between the personal interests of a manager/other employee of the Bank or persons related to them and their duty to act in the interests of the Bank.

Composition of the Supervisory Board of the Bank as at 31 December 2024:

Kostelman Volodymyr Mykhailovych – Chairman of the Supervisory Board.

Hnatenko Yurii Petrovych – Member of the Supervisory Board.

Morokhovska Liudmyla Semenivna – Member of the Supervisory Board, member of the Audit Committee.

Dyachuk Iryna Borysivna – Member of the Supervisory Board, member of the Appointments and Remuneration Committee.

Kuznietsova Liudmyla Viktorivna – Member of the Supervisory Board (independent director), member of the Audit Committee.

Makeieva Olena Volodymyrivna – Member of the Supervisory Board (independent director), Chair of the Audit Committee, member of the Appointments and Remuneration Committee.

Sluch Vasyl Oleksiyovych – Member of the Supervisory Board (independent director), Chairman of the Appointments and Remuneration Committee.

Slaviohlo Ivan Mykhailovych – Member of the Supervisory Board.

Members of the Supervisory Board and the Management Board of the Bank perform their functions and receive remuneration in accordance with civil law and employment agreements/contracts concluded with them, the terms of which are approved by the decision of the sole shareholder of the Bank for members of the Supervisory Board and by the Supervisory Board for members of the Management Board.

1.3 Macroeconomic overview of the external environment

In 2024, Ukraine received approximately USD 42 billion in loans and grants from international partners. 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 (USD 43.8 billion at the end of 2024).

According to the State Statistics Service of Ukraine, Ukraine's real GDP grew by 2.9% in 2024. Economic growth slowed down compared to 2023. This is due not only to poorer harvests and weaker-than-expected external demand, but also to the implementation of risks of increased intensity of hostilities, intensified air attacks by the Russian Federation, and the associated electricity shortages. Persistent safety risks also deterred migrants from returning and led to a significant labor shortage.

The labor shortage will remain significant over the forecast horizon and will limit economic recovery. The problem of labor shortages intensified throughout 2024, and the labor market remained tight. However, in the second half of 2024, labor force participation rose slightly, as did the number of new job applications. Ukrainians probably returned to looking for work thanks to further wage increases. However, the consequences of the war continued to limit the supply of labor – the number of migrants abroad increased by about 500,000 during 2024. Mobilization processes also had an impact.

The labor shortage fueled further wage growth, which, according to the NBU, continued until the end of 2024 but gradually slowed down. In the fourth quarter, the growth rate of real wages fell to single digits as a result of both rising inflation and a smaller labor shortage, which nevertheless remains significantly higher than before the full-scale invasion. However, in the third quarter of 2024, real wages exceeded pre-war levels in most economic activities.

Inflation

Inflation reached 12% in 2024, exceeding the NBU's previous forecast, with price pressures remaining in early 2025. 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 strengthened. This is evidenced by the acceleration of core inflation (to 10.7% y/y in December), in particular due to the rapid rise in prices for services (12.5% y/y in December). Such price dynamics were caused by an increase in business spending on raw materials, materials, and electricity, as well as higher wages amid a continuing labor shortage. At the same time, in recent months, price growth has been somewhat restrained by the strengthening of the hryvnia against the euro, which is important for Ukrainian imports. The transition of inflation to double digits has a negative impact on the inflation expectations of the population and businesses.

Assets

The volume of banks’ net assets increased by 7.6% in the fourth quarter of 2024 and by 16.2% in 2024 (at the exchange rate fixed at the beginning of the period, by 7.0% quarter-on-quarter and 13.1% year-on-year, respectively). Investments in government bonds grew the most, increasing by 11.2% in the fourth quarter of 2024 and more than a third over the year. Banks increased the share of government bonds in their assets to maintain portfolio yields amid falling interest rates. In addition, from October, banks’ demand for benchmark government bonds ensured an increase in the mandatory reserve requirement and the level of bonds eligible for meeting this requirement. Significant government spending at the end of the year contributed to an inflow of funds to banks and a 17.5% increase in the volume of NBU deposit certificates in the fourth quarter of 2024. However, their volume decreased by 11.6% over the year.

Net hryvnia loans to businesses have been increasing for a year and a half in a row. Despite a slight seasonal slowdown in the fourth quarter of 2024 (to 0.7% q/q), the growth rate for the year was 20.6%. Net hryvnia loans to SMEs grew slightly faster, by 1.2% in the fourth quarter of 2024 and by 22.1% over the year, while their share in the net hryvnia business loan portfolio increased to 60.2%, up 0.3 percentage points for the quarter and 0.7 percentage points for the year.

Net hryvnia loans to households are rapidly increasing: by 6.7% in Q4 and 39.9% for the year. Unsecured loans continue to dominate this portfolio. At the same time, the share of the two leading banks in the segment is slowly declining under the influence of competition for the second quarter in a row (to 54.5%). The growth of mortgage loans slowed to 7% q-on-q (60.7% y-on-y) in the fourth quarter of 2024, with the share of mortgages in the net retail hryvnia loan portfolio remaining at 13.4% (+1.7 p.p. for the year).

Funding

Banks remain highly liquid. The available stock of highly liquid assets and a steady inflow of funding from customers provide banks with comfort in growing their loan portfolios and investing in government bonds to finance the budget. However, higher minimum reserve requirements, income tax rates, and planned dividends of state-owned banks may temporarily change the structure of liquid assets and require banks to manage their liquidity more actively.

The structure of high-quality liquid assets (HQLA) in foreign currency continues to be dominated by balances on correspondent accounts with investment-grade foreign banks. Starting next year, they should account for no more than 40% of HQLA included in the LCR (currently up to 60%). Banks are likely to invest part of the funds from correspondent accounts in investment-grade securities. These instruments currently account for one-third of foreign currency HQLA. The gradual exclusion of correspondent accounts from HLA is in line with European approaches; in the future, they will be included as inflows in the LCR, also improving it. Therefore, foreign currency liquidity will remain high.

In Q4 2024, bank funding from businesses and households kept growing, up 9.0%. NBU refinancing loan balances went up by UAH 0.3 billion to UAH 1.9 billion, and the number of banks using this tool increased by 1 to 5 banks. In the third quarter, the sector's external debt decreased by 3.0% quarter-on-quarter, but remained slightly below USD 1.6 billion, which is about 2% of liabilities.

The volume of hryvnia funds of individuals in banks in the fourth quarter of 2024 increased by 3.7% (+11.5% year-on-year). Overall, the growth rate accelerated relative to the previous quarter, due to significant inflows of salaries and bonuses at the end of the year. Term deposits of individuals in hryvnia grew steadily since September: by 1.4% for the quarter and 8.8% for the year. However, considering the faster growth of funds in current accounts, the share of term deposits in the fourth quarter of 2024 decreased by 0.8 p.p. to 33.6%. Household funds in foreign currency increased by 2.0% (+2.7% y-o-y), also mainly due to inflows into current accounts. Term deposits in foreign currency grew throughout the quarter, by 0.9% for the quarter (-6.2% y/y). The dollarization of customer deposits decreased by 1.7 percentage points to 31.4% for the quarter. Business hryvnia funds grew after declining a quarter ago, by 16.6% q/q (+19.0% y/y). Growth was observed in all groups of banks. The volume of foreign currency funds of businesses declined during the quarter due to accounts in foreign banks, but increased overall for the year (+5.5% y/y).

Monetary sector

High international reserves and significant external support will enable the NBU to continue ensuring the stability of the currency market. The relative consistency of the main factors of foreign currency demand and supply contributed to the emergence of a sideways trend in the hryvnia exchange rate and relatively moderate currency interventions in August and the first half of November. However, in the context of a growing structural deficit in the private sector, including due to significant budget expenditures at the end of the year, the NBU increased its presence in the foreign exchange market.

At the same time, demand for foreign currency increased more significantly in the fourth quarter. Record-high budget expenditures, financed largely by international financial assistance, were among the key factors determining its dynamics. In addition, purchases by importers of certain consumer goods intensified and the volume of business transactions authorised under the liberalisation of currency restrictions increased. On the other hand, despite the difficult situation in the energy sector, electricity purchases fell due to high prices on the European market and lower ceiling prices on the domestic market. Along with seasonal factors (in particular, the purchase of foreign currency by small agricultural producers and the payment of annual bonuses), the growth in demand for foreign currency was also influenced by the decline in the real yield of hryvnia instruments due to deteriorating expectations and changes in taxation. The lack of taxation on income from domestic government bonds against the backdrop of their high nominal yields is increasing the population's interest in this savings instrument. The portfolio of hryvnia-denominated domestic government bonds held by individuals increased by 50% in 2024, and its growth in the fourth quarter exceeded the growth of term deposits.

The inflow of significant amounts of international financial assistance in November and record amounts in December further strengthened the NBU's ability to maintain stability in the foreign exchange market and had a calming effect on its participants. In the fourth quarter, official financing reached USD17.3 billion. As a result, despite significant foreign exchange interventions, gross international reserves increased to US$43.8 billion at the end of 2024, which is 20% higher than the minimum adequate level according to the IMF's composite criterion.

1.4 The Bank's business model

The Bank presents itself as a universal bank that performs all basic banking operations and provides banking services to all clients regardless of their industry. Our model is based on the understanding that behind every client there are real people, and it is on this that the Bank builds effective partnerships. The Bank is an integral part of its customers' lives, a reliable financial advisor and a source of support at all stages of their activities.

The Bank's strategic development direction is to create a universal, reliable, stable, efficient, and profit-making banking institution capable of operating in accordance with generally accepted principles of banking practice and ethics, being independent of external interference, acting on the principles of healthy competition and reasonable risk-taking in order to maximize the satisfaction of the requirements and expectations of customers and investors, as well as conducting active operations in the banking market on the basis of equality and partnership.

The Bank's development strategy is founded on such principles as competitiveness, versatility, reliability, innovation, professionalism, and prompt decision-making. Increased competitiveness forces the Bank to actively apply and integrate various new products and services that enable it to attract new customers and retain existing ones. Competitive advantages and undisputed leadership in the banking services market can only be achieved through rapid adaptation to changes in the external environment, the ability to meet customer needs, and the creation of new high-tech banking products that will be in demand.

Changes in the Bank's activities due to the martial law do not alter its main areas of activity, mission, vision, and declared values, and are focused on identifying and implementing anti-crisis measures.

1.5 Main types of products and services

Corporate client services

While 2022-2023 were years of reacting to the challenges of the first years of Russia's large-scale invasion of our country, specifically adapting the Bank's work with corporate clients to wartime conditions, in 2024, the Bank took a proactive position on starting/expanding cooperation with various state and private institutions.

Thus, within the framework of cooperation with PJSC "EXPORT-CREDIT AGENCY" (ECA), the first export credit insurance agreement was concluded for a Bank client in the amount of EUR 1 million, and the success of this case became an indicator of further fruitful cooperation with ECA, which will contribute to an even more active expansion of the pool of exporters who are clients of the Bank and who will be provided with comprehensive banking and insurance services.

Within the framework of its bilateral cooperation with the Fund for Partial Guarantees of Loans in Agriculture, the Bank was certified by the Fund, as well as adapted the Bank's existing regulatory framework (SESU) to the requirements of the World Bank. In 2024, the first projects in this area started coming in, and we expect them to be implemented in the first quarter of 2025.

The Bank was the first of all Ukrainian banks to sign a Memorandum of Accession to the "Made in Ukraine" program, within the framework of CMU Resolution No. 952 on partial compensation for the cost of domestically produced machinery and equipment. Thus, in 2024, the Bank began accepting applications from entrepreneurs who, when purchasing wheeled, construction, municipal, specialized machinery, and energy equipment, will be able to receive compensation from the budget in the amount of 15% of the cost of the purchased machinery and equipment (excluding VAT).

In December 2024, the Bank and the Ministry of Agrarian Policy and Food of Ukraine signed an agreement on information exchange. Under this agreement, the Bank was connected to the State Agrarian Register of Ukraine (DAR). This partnership provides high-quality information exchange between the parties with the aim of effectively supporting micro, small, and medium-sized enterprises, as well as individual entrepreneurs working in agriculture.

The Bank is an active participant in energy infrastructure development and restoration projects. At the first Banking Forum during the war, held by Ekonomichna Pravda in July 2024, the Bank signed a memorandum on lending for energy efficiency projects together with 17 of the country's largest banks. Among the cases in this area of work that we are proud to have participated in, the following can be highlighted:

- The construction of one of Ukraine's first industrial battery energy storage systems with a nominal capacity of 13.5 MW will be financed with loan funds.
- Our client is the general contractor for the installation of STATCOM devices, high-tech equipment that increases the stability of high-voltage networks, designed to regulate reactive power in the power system.
- The bank's partners are developing and building pilot projects for passive engineering protection of electrical substations from rocket debris and UAVs, which have no analogues in other countries.

Throughout 2024, the Bank kept actively using state portfolio guarantee mechanisms, which make it easier to work with borrowers from different sectors of the economy and, primarily with the agricultural business, as 80% coverage of the lending limit by a state guarantee enables the Bank to more effectively manage risks when opening financing, and the borrower to apply for financing even in situations where it does not have a sufficiently diverse pool of collateral to enter into a loan agreement. At the end of 2024, the volume of state guarantees provided for our borrowers' loan agreements amounted to approximately UAH 406,000 thousand, with a total available portfolio limit for such guarantees under all CMU resolutions amounting to UAH 570,000 thousand.

Throughout 2024, we actively engaged with our clients to develop mechanisms for more effective cooperation, which resulted in the introduction of a "Simplified Approach to Lending to Borrowers" and the full launch of a "Convenient Guarantee," which enabled the Bank to optimize both the process of issuing and granting loans and guarantees.

In response to the active development of a variety of project and grant initiatives in 2024, the Bank assists customers in finding and identifying relevant grant opportunities from donor organizations and foundations, including international ones, for the development and creation of customer loyalty by assisting in participation in various grant events.

Thanks to the fact that in 2024 the state renewed compensation from the state budget under the program "Compensation of 25% of the cost of purchased agricultural equipment," we were able to quickly adapt to the launch of this direction in 2024, enabling them to receive compensation from the budget for domestically produced agricultural equipment. The program was relaunched in July 2024, and by the end of 2024, the Bank's clients had received more than UAH 5,000 thousand in compensation in this area of activity.

In 2024, the provision of guarantees in favor of the State Customs Service of Ukraine (SCSU), i.e., bank guarantees to secure customs payments, developed actively and became a useful financial instrument for Ukrainian companies engaged in the import or export of products. At the end of the year, the portfolio of such guarantees amounted to UAH 152,000 thousand.

The bank remains actively involved in state support programs, including those for small and medium-sized businesses, namely: "Affordable Loans 5-7-9" and "Affordable Factoring." Within the "Affordable Loans 5-7-9" program, priority is given to priority economic sectors, such as energy efficiency, processing industry, agriculture, etc.

In 2024, the Bank launched an Environmental and Social Management System to assess low and moderate risks of credit projects in agriculture and processing under the "Affordable Loans 5-7-9" Program in accordance with the requirements of the World Bank and the Entrepreneurship Development Fund.

Further cooperation is planned with the Entrepreneurship Development Fund, the Export Credit Agency, the Partial Credit Guarantee Fund for Agriculture, and other institutions to provide more attractive service and lending terms to our customers, develop new products, and increase the competitiveness of our bank.

Loans to individuals

In 2024, the Bank remained focused on providing loans to individuals, primarily in the form of credit lines for holders of the Bank Own Account product. Loans were extended on a monthly basisup to the established limit, based on the current state of the loan portfolio for this product. Key indicators such as profitability, non-performing loan (NPL) ratio, loan repayment rate, utilization rate by amount and number, as well as other financial metrics were taken into account. In August 2024, a new product called "Installment Plan" was launched – a consumer loan that allows the Bank's customers to convert their current overdraft debt into a term loan. This solution expands customers' financial planning options and helps them manage their funds more effectively. The Bank's plans for 2025 involve the launch of another innovative product, "Pay in installments," which will allow customers to make purchases in installments through a network of partner stores. The estimated launch date is March 2025. In addition, the Bank plans to expand the target audience for its "Cashback Card" product. In particular, it is considering the possibility of providing credit limits not only to customers who receive their salaries on Bank cards, but also to all customers who open the corresponding tariff package. The possible credit limit will be calculated based on a scoring model that is already successfully used in the Bank Own Account product, with appropriate adjustments to ensure a more accurate assessment of customers' creditworthiness. Such initiatives are aimed at expanding the loan portfolio, increasing the availability of banking services, and improving the financial flexibility of the Bank's customers.

Correspondent relations

As at 1 January 2025, the Bank has 36 NOSTRO correspondent accounts open with 12 banks, both among the largest foreign banks in the world: THE BANK OF NEW YORK MELLON USA, Raiffeisen Bank International AG AUSTRIA, UNICREDIT BANK AG (HIPOVEREINSBANK) GERMANY, Bayerische Landesbank GERMANY, Landesbank Baden-Wurttemberg GERMANY (opened in 2024 in US dollars and euros) as well as in Ukrainian financial institutions: JSC "Ukreximbank", JSC "Raiffeisen Bank Aval", PJSC AB "UKRGASBANK", JSC "TASCOMBANK". The Bank executes payments in 7 currencies, which allows the Bank's customers to settle foreign economic contracts in the shortest possible time, and executes payments with conversion into 123 world currencies. As at 1 January 2025, the Bank has opened 14 LORO correspondent accounts for four banks, including for settlements in support of the activities of the correspondent bank – an affiliated/associated member of the IPS.

Since 2022 and throughout 2024, the Bank has been an active participant in international financial markets in DEPO transactions with non-resident investment-grade banks.

Depository activities

Based on the license issued by the National Securities and Stock Market Commission, the Bank carries out the following types of depository activities:

- depository activities of a depository institution;
- activities related to the safekeeping of assets of joint investment institutions.

PJSC Bank Vostok has an account with the National Depository of Ukraine and the Depository of the National Bank of Ukraine. The Bank is a member of the Professional Association of Capital Market and Derivatives Participants.

The depository institution PJSC Bank Vostok has joined the accounting system for shares of limited liability companies (LLC) and limited liability partnerships (LLP) developed by the National Depository of Ukraine.

The bank regularly participates in NBU tenders for the placement of short-term NBU deposit certificates.

During 2024, namely from 1 January 2024, to 31 December 2024, 284 transactions were conducted in the NBU's SertLine system for the purchase of deposit certificates of the National Bank of Ukraine in the amount of UAH 1,446,654,000 thousand.

The volume of accounting transactions with corporate and government securities in 2024 amounted to UAH 17,691,692 thousand at nominal value. The high dynamics of accounting transactions is obvious.

The volume of deposit assets held in custody by the depository institution as at 1 January 2025, amounted to UAH 11,077,380 thousand.

As at 1 January 2025, 260 issues of securities are being serviced by the depository institution.

The Bank serves as an intermediary for the payment of issuer income to holders of corporate securities and coupon payments on government securities. In 2024, income in the amount of UAH 1,628,998 thousand, USD 7,739 thousand, and EUR 1,328 thousand was collected and transferred to holders of government securities, EUR 1,328 thousand. Holders of BIZ FINANCE PLC bonds received coupon income in the amount of USD 119 thousand. APPLE INC. shareholders receive dividends on their shares on a quarterly basis.

During 2024, 15 additional agreements were executed to confirm the signatures of depositors on voting ballots. As at 1 January 2025, the total value of agreements on the exercise of shareholder rights to participate and vote in remote general meetings is 58. During 2024, approximately 20 general meetings were conducted with the participation of BANK VOSTOK using the MEETING CABINET.

The Bank maintains depository services for 64 securities accounts of joint investment institutions (JIIs).

Commission income from depository activities as at 1 January 2025, amounted to UAH 2,911 thousand.

Securities trading

The Bank is an investment company and is licensed by the National Securities and Stock Market Commission to engage in professional activities related to trading in financial instruments:

- ✓ dealing;
- ✓ brokerage;
- ✓ sub-brokerage.

As part of its dealing activities, the Bank invests its own funds in national and foreign currencies in financial instruments on the Ukrainian and foreign capital markets. The Bank's portfolio of own securities consists of various types of bonds, including domestic government bonds (OVDP) in national currencies and foreign government bonds rated investment grade by leading international rating agencies. In order to manage the Bank's short-term liquidity, funds are invested in national currency in deposit certificates of the National Bank of Ukraine. The carrying amount of the Bank's securities portfolio as at 31 December 2024, in hryvnia equivalent is UAH 15,940,038 thousand, an increase of UAH 4,194,019 thousand compared to the previous year.

As part of its brokerage and sub-brokerage activities, the Bank offers investment services to its clients for the sale, purchase, and exchange of financial instruments on behalf of and in the interests of its clients. The Bank conducts investment transactions for its clients both on the regulated and unregulated (over-the-counter) Ukrainian capital market and on the international market using the services of leading European investment firms. The Bank's clients' investments are primarily domestic government bonds, foreign government bonds, corporate bonds, as well as shares and securities of joint investment institutions. During 2024, the Bank entered into agreements on behalf of and in the interests of its clients on the exchange and over-the-counter markets as part of its brokerage activities.

Documentary operations

The Bank traditionally offers its clients a comprehensive range of services for documentary operations: bank guarantees, counter-guarantees, documentary letters of credit and collection, as well as related trade finance products.

Information on other services provided by the audit entity, except for statutory audit services

In 2024, Ernst & Young LLC: Audit Services provided other services in the form of agreed procedures for conducting the first stage of stability assessment required by Resolution of the Board of the National Bank of Ukraine No. 141 dated 22 December 2017, "On Approval of the Regulations on the Assessment of the Stability of Banks and the Banking System of Ukraine" and amendments (hereinafter referred to as "Resolution No. 141"), Resolution of the Board of the National Bank of Ukraine No. 149 dated 16 December 2024 "On the specifics of assessing the stability of banks and the banking system of Ukraine in 2025" (hereinafter referred to as "Resolution No. 149") and the Technical Specifications for the Assessment of the Stability of Banks and the Banking System of Ukraine in 2025 approved by the National Bank of Ukraine in accordance with the Decision of the Board of the National Bank of Ukraine No. 452-rsh dated 26 December 2024.

1.6 The bank's achievements

The Bank was awarded in the category "Best Cashback Card" at the 16th All-Ukrainian Bank of the Year 2024 competition. The competition was held at the initiative of the International Financial Club "BANKIR" and supported by the Verkhovna Rada Committee, the Ministry of Finance of Ukraine, the Ministry of Economy of Ukraine, the Independent Association of Ukrainian Banks (NABU), the

Association of Ukrainian Banks (AUB), and the Vadym Hetman Kyiv National Economic University (KNEU).

The award at the All-Ukrainian Bank of the Year 2024 competition is a great honor for the Bank, since the results were based on important qualitative indicators of the largest Ukrainian banks, such as: customer trust, impeccable business reputation, transparency and openness of operations, innovation, and, of course, financial stability in these difficult times of war.

On 7 March 2024, the international rating agency Moody's confirmed Bank Vostok's long-term and short-term ratings in hryvnia and foreign currency at "Caa3/NP." At the same time, Moody's raised its outlook for long-term deposit ratings from "negative" to "stable". Moody's also upgraded the Bank's national scale ratings: the long-term bank deposit ratings and CRR of Bank Vostok were upgraded from "Caa3.ua" to "Caa2.ua."

In June 2024, the Bank became the first Ukrainian bank to launch remote opening of salary cards.

In July 2024, the Bank, along with the Charity Fund Miloserdya Viktor, supported the Vivat publishing house bookstore, which suffered as a result of Russian aggression in Kharkiv, by donating 535 Ukrainian-language books to children's libraries in Odesa.

In August 2024, the National Rating Agency "Rurik" confirmed the Bank's long-term credit rating at uaAAA with a "developing" outlook.

In September 2024, two of the Bank's female executives once again appeared in the ranking of the most influential women in fintech: Liia Morokhovska and Khrystyna Karmazina were listed among the "Top 50 Most Influential Women in Fintech in Ukraine" for the second time by the Ukrainian Association of Fintech and Innovation Companies. This rating annually recognizes the achievements of women who, through their innovations and leadership, are changing financial technologies, shaping the face of the modern financial sector, and inspiring a new generation to conquer more heights in this field.

On 26 November 2024, the independent rating agency Credit-Rating confirmed the long-term credit rating of PJSC BANK VOSTOK at uaAAA. The rating outlook remains stable. The agency also confirmed the reliability rating of PJSC BANK VOSTOK's bank deposits at "5" (highest reliability).

The bank received an award in the "United by Art" category for its support of the Union International Cultural Center. Bank Vostok is a reliable partner of the Union International Cultural Center and, since its inception, has supported the center's project activities aimed at the development and prosperity of Ukrainian culture and art.

The bank was the general partner of the Odesa Economic Revival Forum 2024, which united financiers, politicians, city leaders, diplomats, businessmen, and international partners from 23 countries, including all those who seek the revival of the economy of Ukraine and Odesa in particular. Among the distinguished guests were the Ambassador of Italy, the Ambassador of Lithuania, former NATO representative Kurt Volker, the Mayor of Istanbul, the Mayor of Venice, and the Ambassador of Japan. Vadym Morokhovskyi, Chairman of the Bank's Management Board, as co-chair of the Odesa Business Club, moderated the meeting with Kurt Volker.

In December 2024, the Bank and the Ministry of Agrarian Policy and Food of Ukraine signed an agreement on information exchange. Under this agreement, the bank connected to the State Agrarian Register of Ukraine (DAR). Thanks to electronic integration, the bank gained access to SAR data. This will help to better assess the capabilities of entrepreneurs who are planning to obtain loans or are already using financing and to offer effective credit solutions.

2. Management objectives and strategy for achieving objectives

The Bank's ideology is based on customer loyalty, mobility and flexibility in decision-making, and readiness to provide any type of banking services to legal entities and individuals with the utmost comfort and personalized service. The Bank is a big family for its customers and employees, which quickly and efficiently accomplishes any task.

The Bank's strategic goal is the uninterrupted profitable operation and development of a reliable, universal financial institution that offers a full range of modern banking services to legal entities and individuals, regardless of their state affiliation and form of ownership, in the new conditions of existence, further increasing the size of its equity capital, maintaining liquidity at a sufficient level, and ensuring the timely implementation of legislative requirements and the most effective methods and systems of liquidity management.

To improve the Bank's rating positions in terms of lending to individuals, the Bank continues to develop the "Bank Own Account" product, which provides:

- ✓ registration and servicing of individual clients via a mobile application without the need to visit the Bank's branches;
- ✓ provision of overdrafts (for this purpose, the Bank uses its own scoring model and decision-making system for setting and changing limits).

The asset management policy comprises the Bank's activities focused on investing its own and borrowed funds in order to make a profit and ensure sufficient liquidity and solvency of the Bank. The Bank complies with the principles of prudent financial management in forming and managing the structure of assets and liabilities, effectively managing the ratio of individual sources and types of liabilities, forming an optimal balance sheet structure, improving solvency, and strengthening financial stability.

Internal control system

The Bank's internal control system is founded on generally accepted international principles, standards, and tools approved by the National Bank of Ukraine, the Basel Committee on Banking Supervision, and other international organizations that regulate the principles of effective corporate governance and the functioning of internal control systems in banking activities.

The Bank's internal control is a process integral to all of the Bank's activities and corporate governance, aimed at achieving the Bank's operational, information, and compliance objectives.

The rules and requirements for the functioning of the Bank's internal control system are defined in the "Internal Control Policy of PJSC "BANK VOSTOK," approved by the Bank's Supervisory Board.

The Bank ensures the functioning of a comprehensive, effective, and adequate internal control system (ICS), which consists of the following main components:

- ✓ control environment;
- ✓ management of risks inherent in the Bank's activities;
- ✓ control activities;
- ✓ control over information flows and communications;
- ✓ monitoring of the effectiveness of the ICS.

The Bank's ICS is based on the distribution of responsibilities among the Bank's divisions, except for functions that are the exclusive competence of the Supervisory Board/Management Board/Committees of the Bank in accordance with the provisions of Ukrainian legislation, regulatory acts of the NBU, and internal documents of the Bank. This distribution is based on the application of a three-line defense model.

The subjects of the ICS within the Bank's structure are:

The Bank's Supervisory Board, Audit Committee, and Appointments and Remuneration Committee, which ensure the functioning of the Bank's ICS and control its effectiveness.

First line of defense:

- The Bank's Management Board, collegial bodies of the Bank' ICS, which ensure the implementation of the decisions of the Bank's Supervisory Board, carry out the day-to-day management of the ICS, establish, within the limits of their powers, responsibilities for the ICS, and ensure compliance with corporate values and control culture;
- business units and support units of the Bank, which initiate, carry out and/or reflect transactions, assume risks in the course of their activities and are responsible for the ongoing management of these risks, carry out control measures in accordance with the powers defined in the Bank's internal documents;
- risk coordinators of business units and support units, who are identified in the Bank's internal documents and perform internal control in accordance with the functions defined in these documents.
- other heads of units and employees who perform internal control in accordance with the powers defined in internal documents;

Second line of defense:

The Risk Management Department, the Compliance Department, and, within the scope of their powers, with regard to financial monitoring issues, the Financial Monitoring Department and the Responsible Bank Employee, who monitor the effectiveness of control procedures at the first line of defense within the scope of their independent control functions at the second line of defense, within the scope of their functional powers, ensure the implementation and effective functioning of the risk management system in accordance with the requirements of applicable law and the Bank's internal documents on risk management, and also ensure that the Bank's management is confident that the risk control and management measures implemented by the first line of defense have been developed and are functioning properly.

Third line of defense:

Internal Audit Department, which performs an independent assessment of the effectiveness of the first and second lines of defense and an overall assessment of the effectiveness of the ICS.

The Bank applies control measures to:

- prevent violations – by preventing deficiencies/non-compliance/violations (including establishing rules for authorizing transactions or controlling access);
- detect violations – by identifying deficiencies/non-compliance/violations (including double or automated control, self-control/self-assessment);
- correct violations – by correcting deficiencies/non-compliance/violations (including ensuring automatic correction of errors in the Bank's information systems).

2.1 Vision, Mission, Values

Bank Mission

We are a family bank. We appreciate each of our employees and each of our customers. We cherish relationships and increase value. We are committed to helping our customers grow, working together to make their businesses stable and prosperous, and preserving and multiplying their assets. We are a bank with a long-term development perspective. We strive to be reliable and stable in all conditions. We create traditions that will be passed down from generation to generation. We provide confidence and reliability. We make life better by helping to make dreams come true.

Bank Vision

PJSC "BANK VOSTOK" is a contemporary, innovative, and technologically advanced bank integrated into the international financial space, providing personalized services and a high level of customer service, always ready to respond to new customer needs and enjoying their high trust, whose activities are aimed at promoting the development of its customers' businesses and improving their financial well-being by providing traditional banking services and introducing the latest digital and mobile technologies. It is a resilient and gradually growing bank that takes a professional approach to risk and is prepared for any business development scenario

Bank Values

- Open and transparent market conditions.
- Unconditional compliance with laws, regulations, and standards.
- Continuous development and striving to stay one step ahead of the competition.
- Attention to the individual needs of each customer.
- Commitment to a common cause and personal responsibility of each employee.
- Well-coordinated teamwork.

2.2 Achievements in research and development, innovation

Optimization of banking services processes will be aimed at simplifying, standardizing, and automating them. This will improve process efficiency, facilitate document flow, formalize the analytical assessment system for a number of credit products, and improve customer service quality. Given the modern requirements for financial institutions, the Bank's information policy issues are becoming a priority.

The Bank continues to carry out a range of measures aimed at developing remote service channels. One of the main achievements in this area is the creation and implementation of a new version of Vostok Bank mobile banking. This is a modern mobile application for iOS and Android devices that combines a wide range of solutions and payment services, namely:

- remote registration and onboarding of individual customers and individual entrepreneurs;
- account opening, issuance and reissuance of payment cards;
- possibility of obtaining a credit limit for a payment card;
- convenient cashback program;
- opening of hryvnia and foreign currency deposits, including with currency purchase transactions;
- the ability for customers to update their data without visiting a bank branch;
- various types of transfers, including currency purchase to your own account;
- a wide range of payment services for utility bills.

Work is ongoing to develop a mobile app for the "Bank Own Account" product. We are actively developing loan products that enable customers to quickly and easily use their funds on terms that are most favorable to them. A set of measures aimed at attracting and retaining the product's audience enables customers to participate in various promotions and receive significant discounts on goods in the Silpo supermarket chain.

No less attention is given to the development of tools to improve customer service processes in the Bank's branches. Managers equipped with electronic tablets can familiarize customers with product terms and conditions and conclude agreements without using paper, with the subsequent application of a digital signature on the accompanying package of documents, which significantly improves the quality of service. Further development in this area will enable the Bank to abandon paper documents in the future and switch completely to storing customer legal files in the Bank's electronic archive.

The hotline lets you stay in touch with a Bank rep and handle customer requests using any available communication channels. Interactive voice messaging services help customers navigate when making a call. The Bank's chats in popular messengers ensure an efficient customer support process through quick messaging with a hotline operator. The continuous improvement of communication technologies and the use of artificial intelligence services help to continuously improve the quality of customer service.

The development of tools and automation of processes for financial monitoring of the Bank's customers' activities is worth mentioning separately. An automated employee workstation has been developed and implemented, which allows controlling the process of payment transactions, managing customer portfolio monitoring rules, and initiating necessary communication with specific customers. The involvement of various data analysis tools allows us to quickly identify and localize potential risks in the execution of payment transactions by the Bank's customers.

The active development of electronic document management systems speeds up interaction between the Bank's specialized departments. A lot of effort has also been put into setting up electronic document management processes with the Bank's customers. This helps build fast decision-making processes and lets customers get banking services quickly.

Another important project for ensuring the business strategy is the automation of the factoring process.

The Bank has successfully passed certification for compliance with the Payment Card Industry Data Security Standard (PCI DSS) and the SWIFT Customer Security Controls Framework 2021 recommendations. Thanks to this, the Bank's customers can be confident in the reliability and security of the remote services provided.

The establishment of its own Security Operations Center (SOC) will significantly enhance the level of protection of the Bank's information assets and customer data at both the organizational and technical levels.

The SOC will automate the process of monitoring, detecting, and responding to information security incidents, and will prevent cyber threats to the Bank's corporate information systems (websites, applications, databases, data centers, servers, active network equipment, computers, and other end equipment) in a timely manner).

3. Resources, risks, relationships

3.1 Key financial and non-financial resources

The main purpose of capital management is to maintain sufficient capital at all times to enable the Bank to implement its strategy. The Bank's capital requirements are determined based on the Bank's strategy, risk appetite, and current and future exposures. Given our ambition to optimize the Bank's total value, we take into account the requirements of regulatory authorities, the expectations of rating agencies, and the interests of customers and investors, as well as sufficient returns for shareholders. We also apply internal targets that must be met. These targets are consistent with our goal of being a stable Bank operating with a low risk profile.

The Bank has a strong capital base in terms of risk-weighted asset coverage. This allows the Bank to continue on its growth path.

In 2024, the Bank maintained a liquidity position in line with both its internal targets and regulatory requirements. The Bank calculates its liquidity ratios on a daily basis in accordance with the requirements of the National Bank of Ukraine.

To manage liquidity risk, the Bank uses gap analysis between assets and liabilities based on their expected maturities.

When managing assets and liabilities, the Bank considers behavioral aspects, despite the short maturities of current accounts of customers, taking into account the significant level of stable portion of these balances. The Bank's customers tend to keep funds in current accounts for a long period of time.

The Bank has been profitable throughout its existence.

At the end of 2024, the Bank's profit amounted to UAH 254,850 thousand.

Customer funds are the primary source of the Bank's resource base. The Bank strives not only to maintain its existing customer base, but also to attract new customers. Therefore, in accordance with the principle of universality, the Bank attracts small and medium-sized businesses and private individuals to its services, along with large corporate companies. This ensures comprehensive services for the consumer interests of the Bank's customers and their partners.

With a view to possible outflows of funds attracted from customers, the Bank monitors the movement of funds in customers' term and current accounts on a regular (daily) basis and analyzes fluctuations. Specific decisions are made based on the results of the analysis.

The Bank also attracts financing from international investors to diversify its sources of financing. To this end, the Bank uses various financing instruments covering different terms, markets, regions, and types of investors.

The Bank raises funds for a term exceeding one year by:

- ✓ raising subordinated debt. The carrying amount of subordinated debt as at 31 December 2024, was UAH 325,227 thousand (as at 31 December 2023, it was UAH 291,697 thousand);
- ✓ raising long-term loans from international financial organizations. Based on an agreement signed in November 2017 with WORLDBUSINESS CAPITAL, INC. USA and a supplementary agreement, which provide for the extension of the agreements for two years and a two-year deferral of quarterly loan repayments starting from 20 June 2023, as well as a 0.5% reduction in the margin. In line with global trends away from LIBOR, in June 2024, the Bank signed a supplementary agreement on the use of SOFR. Starting 20 June 2023, interest under the agreements will be calculated based on the 3-month SOFR rate in US dollars +0.26161 ("Loan Spread Adjustment") + a margin of 3.75% and 3.3%, respectively, which as at 31 December 2024, amounted to 8.36567% and 7.91567% (as at 31 December 2023 – 9.385% and 8.93%). Interest is paid every three months during the term of the agreement.

The carrying amount of loans as at 31 December 2024 was UAH 398,648 thousand (as at 31 December 2023 – UAH 412,542 thousand).

3.2 Risk management system

The main strategic goal of the risk management system is to cut down on possible financial losses (lost income) from risks that the Bank faces and to make sure the Bank stays financially sound and keeps growing for a long time, in line with the goals set out in the Bank's Strategic Development Plan.

The Bank places great importance on effective risk management, achieving an optimal balance between risk and return.

The Bank continuously improves its risk management system and approaches to risk and capital management, considering internal models, providing the necessary infrastructure and development of information systems, applying established risk management practices, paying particular attention to significant types of risks (credit risk, liquidity risk, operational risk, market risk, interest rate risk of the banking book, and compliance risk).

The Bank's risk management system is built on principles that comply with Ukrainian legislation, NBU regulations, international standards, and best risk management practices, and is based on the Bank's Strategic Development Plan, Risk Management Strategy, Risk Exposure Statement, Corporate Code, individual risk management policies, as well as methodologies and procedures for management of significant types of risks, which ensures the determination of appropriate limits, the introduction of reliable control procedures, as well as control of risks and their compliance with established limits through administrative means and information systems.

To achieve its business objectives, based on the specifics of its activities and business model, the Bank adopts, maintains, monitors, and controls on a regular basis the following types of risks, which it considers significant, with a view to minimizing (mitigating) them:

- Credit risk – the probability of incurred losses or additional losses or failure to receive planned income due to the debtor/counterparty's failure to fulfill its obligations under the terms of the agreement. Credit risk is minimized (mitigated) by carefully selecting and analyzing the creditworthiness of potential borrowers, a diversified customer base, control over the use of loans, acceptance of highly liquid collateral and its insurance, creation of appropriate reserves, constant monitoring of borrowers' activities, compliance with established credit risk standards, maintenance of an adequate level of equity capital, and establishment of risk appetite indicators for this type of risk.
- Liquidity risk is the likelihood of incurring losses or additional losses or not receiving planned income due to the bank's inability to provide financing for asset growth and/or fulfill its obligations in a timely manner. This is the risk of an imbalance between cash inflows and outflows, resulting in a liquidity deficit or surplus. Liquidity risk is minimized (mitigated) by balancing the bank's assets and liabilities, maintaining a high level of highly liquid assets, and strictly complying with the regulations of the National Bank of Ukraine. To minimize liquidity risk, the Bank regularly assesses its liquidity position and analyzes external and internal factors affecting liquidity.
- Market risk and interest rate risk of the banking book – the likelihood of incurring losses or additional losses or not achieving planned income due to unfavorable changes in foreign exchange rates, interest rates, or the value of financial instruments. The Bank's currency risk is minimized by: strict compliance with currency position standards, management of open currency positions based on Value at Risk (VaR,

structural optimization), setting limits on currency transactions, hedging transactions, forecasting foreign currency receipts and payments, and forecasting foreign exchange rates. Interest rate risk in the banking book is mitigated by forecasting changes in market interest rates, managing interest rate-sensitive assets and liabilities (GAP management), forecasting the potential amount of lost net interest income of the bank, and setting risk appetite indicators for this type of risk.

- Operational risk is the likelihood of incurring losses or additional losses or not receiving planned income due to shortcomings or errors in the organization of internal processes, intentional or unintentional actions of bank employees or other persons, failures in the operation of the bank's information systems, or due to the influence of external factors. Operational risk includes legal risk and information risk, however, it should exclude reputational risk and strategic risk. This type of risk is mitigated by implementing processes for identifying and assessing the bank's operational risk events, regularly monitoring emerging risks, implementing of a fraud prevention system, distributing access rights to information systems and complying with information security rules, applying key risk indicators, implementing a set of measures to reduce information security risk, outsourcing, regularly testing business continuity plans, establishing tolerance levels for this type of risk, etc.;
- Compliance risk, consisting in the probability of losses/sanctions, additional losses or shortfall in planned income or loss of reputation as a result of the Bank's failure to comply with the requirements of current legislation, regulatory acts, market standards, rules of fair competition, rules of corporate ethics, the emergence of conflicts of interest, as well as the Bank's internal documents.

During the reporting period, the Bank's risk management system functioned in light of the situation and negative consequences for the Bank's activities as a participant in the domestic banking market, which developed in connection with the armed aggression of the Russian Federation and the introduction of martial law in Ukraine, which affected the political and financial and economic situation in the country, the application of a large number of restrictive measures by the regulator in connection with the introduction of martial law, the implementation of a large number of changes to the current legislation on banking activities and private business, legislative and economic restrictions, a sharp deterioration in the general economic situation, inflation, changes in the state's credit and financial policy, force majeure circumstances, increased cyber threats, the spread of new types of fraud, and fierce competition in the banking market.

The Bank is focusing its efforts on reducing risks, continuing to collect information on the current status of borrowers, their operating conditions, and the difficulties/restrictions in their activities in connection with the military aggression, and is working to decrease overdue debt, and ensures monitoring, data collection, and management awareness of the risk profile.

The Bank continuously monitors risk appetite indicators and Business Recovery Plan (hereinafter referred to as the BRP) indicators, timely review of internal documents to enhance the system of limits and indicators, in connection with the needs arising in the course of activities, in particular in stressful conditions of wartime, refinement of information systems to ensure analytics and visualization of necessary information, risk indicators, including in dynamics and necessary dimensions.

In 2024, the Bank introduced the ICAAP process, the main purpose and objective of which is to maintain the Bank's internal capital at a level sufficient to ensure its continuous stable operation, reliable implementation of its strategy and business plan in both normal and stressful situations, taking into account all significant risks inherent to the Bank.

The Bank's ICAAP process complies with the requirements of Resolution No. 161 of the Board of the National Bank of Ukraine dated 30 December 2021, "On Approval of the Regulations on the Organization of the Process of Assessing the Adequacy of Internal Capital in Banks of Ukraine and Banking Groups," and is based on the distribution of responsibilities powers between the Bank's divisions using a three-line defense model in accordance with the regulatory acts of the National Bank.

The Bank ensures that the ICAAP process is aligned with the Bank's strategy, business plan, corporate governance system, internal control system, including the risk management system, and is integrated with business processes and management decision-making processes.

Regularly (at least once a quarter), the Bank conducts monitoring of the adequacy of internal capital and prepares reports on the results of monitoring the adequacy of internal capital, which are submitted to the Bank's collegial bodies.

Preventing these factors from having a significant impact on the Bank's activities, as well as controlling the Bank's dependence on legislative or economic restrictions, is achieved by introducing internal control into the Bank's activities – a process integrated into all processes and corporate governance of the Bank, aimed at achieving the operational, information, and compliance goals of the Bank's activities, timely adoption of balanced management decisions in wartime, as well as through the introduction of a risk management culture, which consists of compliance with the principles, rules, and standards of the Bank aimed at ensuring that all employees of the Bank are aware of risk-taking and risk management, in particular through the determination and approval of the Bank's risk appetite (risk propensity), which is determined by the aggregate amount for all types of risks and separately for each of the risks identified in advance and within the permissible level of risk, in respect of which the Bank has decided on the advisability/necessity of retaining them in order to achieve its strategic objectives and implement its business plan.

Compliance risk management at the Bank is fully integrated into the Bank's overall risk management system and is aimed at:

- identifying processes/operations where compliance risk management and internal control procedures are not enough to keep compliance risk at an acceptable level;
- reviewing, analyzing, identifying, and prioritizing potential areas of compliance risk, including providing recommendations on relevant compliance standards, procedures, and decisions;
- identifying possible changes to control procedures (risk mitigation, refusal of transactions) to maintain the overall level of compliance risk at an acceptable level;
- identifying violations of applicable laws, standards of professional associations applicable to the Bank, internal documents, customer service standards, and cooperation with third parties arising from contractual relationships;
- identifying criminal or other illegal, inappropriate behavior, or behavior that is incompatible with the Bank's internal standards and rules;

- identifying and managing conflicts of interest that might arise at all organizational levels of the Bank's organizational structure;
- making appropriate and timely management decisions.

Maintaining the Bank's positive image and mitigating compliance risk are ensured through the implementation of a compliance and internal control system, using the following key procedures and measures:

- ensuring open and transparent relations between the Bank and all interested parties;
- adhering to the "tone at the top" principle and maintaining an impeccable reputation by the Bank's management;
- adhering to the "zero tolerance" principle and the inevitability of punishment for any manifestations of bribery and corruption;
- compliance by the Bank with the requirements of Ukrainian legislation, including the screening of its customers, counterparties, and third parties when establishing business relationships and in further mutual cooperation with them to prevent corruption, illegal activities in the field of financial monitoring, sanctions, and other violations;
- competitive and ethical conduct of the Bank in the banking services market, as well as compliance with other principles and components of the Bank's activities enshrined in the Corporate Code and Anti-Corruption Policy;
- maintaining a clear position in the field of antitrust regulation, based on not engaging in any concerted anti-competitive actions in accordance with antitrust legislation;
- introducing a risk management and control culture that ensures awareness and involvement of the Bank's management and other employees in the risk management and internal control system;
- ensuring transparency in the Bank's processes;
- continuously working on the Bank's image and forming a positive public opinion about the Bank;
- making changes to the Bank's processes and/or strengthening control;
- introducing a system of limits and restrictions on compliance risk;
- developing/updating relevant standards, instructions, and procedures, involving the Compliance Department in the process, if necessary.

3.3 Relations with shareholders and related parties, management thereof

In accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities", persons affiliated with the Bank include persons who meet the requirements of Article 52 of this Law, including, in particular, shareholders and managers of the Bank.

The Bank has implemented a process for identifying related parties and controlling transactions with them, as well as for ensuring the proper identification, determination, monitoring, reporting, management, and control of transactions with persons related to the Bank.

The procedure for conducting transactions with connected persons, the submission of information about such persons by the Bank to the National Bank of Ukraine, as well as other issues related to corporate governance, internal control, and risk management in this area are regulated by the Bank's internal regulations.

The Bank conducts transactions with related parties in unconditional compliance with the requirements and restrictions established by applicable law, in particular the Law of Ukraine "On Banks and Banking Activities" and regulatory acts of the National Bank of Ukraine.

The Bank controls transactions with related parties, including precautions against the involvement in the process of conducting and managing a transaction with a person related to the Bank of the beneficiary of such a transaction and/or a person related to them. Transactions involving related parties are regularly reviewed by internal and external auditors, and reports on the results of such reviews are submitted to the Bank's Supervisory Board.

The Bank's Management Board informs the Bank's Supervisory Board of any untimely or improper performance of obligations to the Bank by persons related to the Bank.

All transactions with related parties are performed in accordance with the principles of control in accordance to the requirements of the Bank's internal documents and applicable legislation. Control over transactions with persons affiliated with the Bank is carried out by Bank employees in accordance with their functional duties and includes a list of procedures that ensure the integrity and completeness of the process of identifying affiliated persons when conducting transactions, controlling such transactions, as well as procedures that ensure control over compliance with limits and restrictions.

When identifying persons related to the Bank, carrying out banking transactions with them, and other contacts, the Bank's employees adhere strictly to the established rules and procedures and strive to avoid influence from related persons (including shareholders) in order to minimize the possibility of them obtaining benefits at the expense of the Bank's performance. Relationships are managed through control over processes carried out by employees of the Risk Management Department and the Compliance Department, which, in particular, ensures that the Bank complies with the rules for determining the list of persons related to the Bank in order to ensure the integrity and completeness of the process of identifying persons related to the Bank and control over transactions with them.

During 2024, the Bank conducted active transactions with related parties, taking into account the restrictions imposed by the National Bank of Ukraine during the period of martial law, but the volume of these transactions is insignificant in relation to the Bank's total loan portfolio and has no impact on its performance.

4. Analysis of key performance indicators

4.1. Financial performance indicators

In 2024, the Bank's indicators, providing insight into the main trends and factors influencing the Bank's development and performance, were as follows.

As at 31 December 2024, the Bank's total assets amounted to UAH 33,926,945 thousand, which is UAH 5,744,484 thousand or 20% more than last year (as at 31 December 2023 – UAH 28,182,461 thousand).

The Bank's assets as at 31 December 2024 had the following structure:

Cash and cash equivalents – UAH 4,092,890 thousand, or 12% of total assets (as at 31 December 2023 – UAH 6,532,001 thousand, or 23% of total assets);

Loans and advances to banks – UAH 2,674,033 thousand or 8% of total assets (as at 31 December 2023 – UAH 985,431 thousand or 3% of total assets);

Loans and advances to customers – UAH 10,389,110 thousand or 31% of total assets (as at 31 December 2023 – UAH 8,243,854 thousand or 29% of total assets);

Investments in securities – UAH 15,940,038 thousand or 47% of total assets (as at 31 December 2023 – UAH 11,746,019 thousand or 42% of total assets);

Intangible assets – UAH 47,367 thousand or 0.1% of total assets (as at 31 December 2023 – UAH 36,691 thousand or 0.1% of total assets);

Fixed assets – UAH 85,938 thousand or 0.3% of total assets (as at 31 December 2023 – UAH 68,250 thousand or 0.2% of total assets);

Assets under right of use – UAH 73,105 thousand or 0.2% of total assets (as at 31 December 2023 – UAH 46,213 thousand or 0.2% of total assets);

Other financial assets – UAH 525,843 thousand or 2% of total assets (as at 31 December 2023 – UAH 446,963 thousand or 2% of total assets).

Other non-financial assets – UAH 98,156 thousand or 0.3% of total assets (as at 31 December 2023 – UAH 77,039 thousand or 0.3% of total assets).

The Bank's capital in 2024 increased by UAH 266,175 thousand, or 14%, and as at 31 December 2024, amounted to UAH 2,136,891 thousand.

Based on the results of its operations in 2024, the Bank received a net profit of UAH 254,850 thousand, which is UAH 18,816 thousand or 8% more than in 2023.

The Bank’s net interest income for 2024 amounted to UAH 1,897,289 thousand, which is UAH 309,736 thousand or 20% more than in 2023.

The Bank’s net commission income for 2024 amounted to UAH 549,618 thousand, which is UAH 22,295 thousand or 4% more than in 2023.

Profit from foreign currency transactions in 2024 amounted to UAH 105,650 thousand, which is UAH 60,968 thousand or 37% less than in 2023.

Administrative and other operating expenses in 2024 increased by UAH 356,082 thousand, or 34%, and amounted to UAH 1,037,992 thousand.

Employee compensation expenses amounted to UAH 811,411 thousand, or 40% of operating expenses.

The Bank’s depreciation expenses in 2024 increased by UAH 1,240 thousand, or 1%, and amounted to UAH 127,174 thousand.

The main area of the Bank’s active operations is lending to legal entities and individuals.

During 2024, the volume of loans issued (excluding loan impairment provisions) increased by UAH 2,365,431 thousand, or 25%, to UAH 11,843,406 thousand as at 31 December 2024.

During 2024, the volume of loans granted to legal entities (excluding loan impairment provisions) increased by UAH 2,255,341 thousand, or 24%, to UAH 11,560,096 thousand as at 31 December 2024.

The Bank provided loans to trade enterprises (42%), agriculture and food industry (23%), industry (17%), transport and communications (10%), construction and real estate operations (2%), loans to individuals (2%) and other (4%) in the overall structure of the loan portfolio.

The volume of loans to individuals (excluding loan impairment provisions) increased by UAH 110,089 thousand, or 64%, and as at 31 December 2024, amounted to UAH 283,309 thousand.

As at 31 December 2024, the total gross amount of loans issued to the Bank’s 10 largest borrowers amounted to UAH 2,470,817 thousand, or 21% of the total loan portfolio. At the same time, as at 31 December 2024, the amount of loans to the Bank’s 10 largest borrowers was partially secured by collateral in the form of property rights to deposits in the amount of UAH 90,000 thousand (as at 31 December 2023 – UAH 90,000 thousand).

Debt to other banks consists of term deposits and as at 31 December 2024, amounted to UAH 2,674,033 thousand, which is UAH 1,688,602 thousand or 171% more than as at 31 December 2023.

Investments in securities as at 31 December 2024, increased significantly and amounted to UAH 15,940,038 thousand, which is UAH 4,194,019 thousand or 36% more than as at 31 December 2023.

The securities portfolio consists of:

- Domestic government bonds in the amount of UAH 4,813,273 thousand;
- NBU deposit certificates in the amount of UAH 10,789,577 thousand;
- Foreign government bonds in the amount of UAH 336,789 thousand;
- Non-bank financial institution bonds (corporate) in the amount of UAH 399 thousand.

The Bank's liabilities increased by UAH 5,478,309 thousand, or 21%, and as at 31 December 2024, amounted to UAH 31,790,054 thousand.

The balance on current accounts of customers for 2024 increased by UAH 5,508,301 thousand, or 27%, and as at 31 December 2024, amounted to UAH 25,942,021 thousand, which is 82% of the Bank's liabilities.

As at 31 December 2024, balances on current accounts of legal entities amounted to UAH 21,525,052 thousand, or 83% of current accounts of customers.

As at 31 December 2024, balances on current accounts of individuals amounted to UAH 4,416,968 thousand, or 17% of customer current accounts.

As at 31 December 2024, current account balances included demand deposits totaling UAH 16,304 thousand (as at 31 December 2023 – UAH 8,449 thousand), UAH 1,304 thousand belonged to individuals (as at 31 December 2023 – UAH 1,252 thousand), UAH 15,000 thousand – to legal entities (as at 31 December 2023 – UAH 7,197 thousand). Interest rates on such deposits as at 31 December 2024 ranged from 0.1% to 4.0% (as at 31 December 2023 – from 0.1% to 13.0% per annum), depending on the account balance and currency.

The total amount of funds of the Bank's 10 largest customers in current accounts amounted to UAH 6,680,270 thousand (as at 31 December 2023 – UAH 5,754,738 thousand).

As at 31 December 2024, customer funds included deposits in the amount of UAH 423,392 thousand, placed by customers as collateral for loans and advances to customers in the amount of UAH 465,362 thousand (as at 31 December 2024 – UAH 526,880 thousand, customer funds placed as collateral for loans and advances to customers in the amount of UAH 579,195 thousand).

The Bank's deposit portfolio increased by UAH 148,511 thousand, or 3%, during 2024 and amounted to UAH 4,568,236 thousand as at 31 December 2024, representing 14% of liabilities.

Deposits from legal entities amounted to UAH 2,418,241 thousand, or 53% of the Bank's deposit portfolio.

Deposits from individuals amounted to UAH 2,149,995 thousand, or 47% of the deposit portfolio.

As at 31 December 2024, the total amount of deposits of the Bank's 10 largest customers amounted to UAH 1,466,033 thousand, or 32% (as at 31 December 2023 – UAH 1,635,208 thousand, or 37%) of the total amount of deposits.

During 2024, the Bank's debt to other banks decreased by UAH 303,103 thousand, or 79%, and as at 31 December 2024, amounted to UAH 79,333 thousand, which is less than 0.1% of total liabilities and is 100% in terms of composition.

An analysis of the Bank's financial indicators shows steady growth in both quantitative (increase in assets, capital) and qualitative criteria (increase in pre-tax profit and its comparative shares), which confirms the correctness of the chosen strategy and the balanced approach of the management to the Bank's management.

One of the Bank's priorities for the coming years is to maintain liquidity at a sufficient level and to ensure the timely implementation of legislative requirements and the most effective methods and systems of liquidity management.

The asset management policy consists of the Bank's activities aimed at investing its own and borrowed funds in order to generate profit and ensure sufficient liquidity and solvency of the Bank. The Bank adheres to the principles of prudent financial management in forming and managing the structure of assets and liabilities, effectively managing the ratio of individual sources and types of liabilities, forming an optimal balance sheet structure, improving solvency, and strengthening financial stability.

4.2. Economic indicators

In 2024, the Bank expects to maintain its key indicators at the level of previous years. Below is a comparison of indicators by year:

	2024	**2023**	**2022**	**2021**
Average assets, million UAH	26,973	21,757	18,508	16,820
Average capital, million UAH	1,867	1,536	1,239	1,011
Financial result, million UAH	255	236	276	286
before taxation, million UAH	*516*	*491*	*337*	*349*
Return on assets (ROA)	0,9%	1,1%	1,5%	1,7%
Return on equity (ROE)	13,7%	15,4%	22,2%	27,7%

Net interest income before impairment losses/(recovery) on interest-bearing assets amounted to UAH 1,897,289 thousand in 2024 and UAH 1,587,553 thousand in the previous year. In 2024, the effective interest rate on interest-bearing assets decreased (12.3% in 2023, 11.5% in 2024) and interest-bearing liabilities (5.4% in 2023, 4.8% in 2024), which did not result in an increase in the interest margin (7.4% in 2023, 7.1% in 2024).

The share of interest income in the Bank's income decreased from 64% in 2023 to 62% in 2024. The share of commission income increased slightly from 30% in 2023 to 31% in 2024, as did trading income from 4% in 2023 to 4.6% in 2024.

The Bank's net operating income in 2024 is UAH 453,702 thousand compared to UAH 412,463 thousand in 2023.

The Bank's expenses in 2024 had the following structure by share:

- decrease in interest expenses on customer funds to 26% (in 2023: 27%);
- increase in commission expenses to 20% (in 2023:18%);
- increase in operating and administrative expenses to 43% (in 2023: 39%);
- reduction of provisions to 6% (in 2023: 10%);
- income tax to 6% (in 2023: 6%).

Administrative and operating expenses increased from UAH 681,910 thousand in 2023 to UAH 1,037,992 thousand in 2024.

Provision expenses (impairment losses) decreased from UAH 416,804 thousand (10% of expenses) in 2023 to UAH 262,765 thousand (6% of expenses) in 2024, which is a positive factor against the backdrop of the Bank's loan portfolio growth.

4.3. Liquidity and liabilities

Liquidity risk is the risk of our potential inability to meet all payment obligations when they fall due, or of only being able to meet these obligations with excessive costs. The objective of the liquidity risk management system is to ensure that the Bank is at all times able to meet its payment obligations and manage liquidity and funding risks within its risk appetite, as well as to maintain sufficient liquidity (liquidity buffer) and comply with regulatory requirements.

Liquidity buffer

The Bank maintains a liquidity buffer, which consists of high-quality liquid assets to absorb unexpected increases in liquidity needs, namely:

✓ cash and correspondent accounts with other banks and other payment systems as of the end of 2024 amounted to UAH 2,813,519 thousand (as of the end of 2023, they amounted to UAH 3,818,521 thousand);

✓ funds in the correspondent account with the NBU as of the end of 2024 amounted to UAH 1,279,372 thousand (as of the end of 2023, they amounted to UAH 2,713,480 thousand);

✓ investments in securities as of the end of 2024 amounted to UAH 15,940,038 thousand (as of the end of 2023, they amounted to UAH 11,746,019 thousand).

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) is intended to enhance the short-term stability of a bank's liquidity risk profile during a 30-day stress scenario. The ratio is determined as the sum of High Quality Liquid Assets ("liquidity buffer") that can be used to increase liquidity, measured in relation to the total amount of net cash outflows arising from both actual and contingent risks in stress scenarios. The LCR supplements the internal structure of stress testing.

By maintaining the ratio above the minimum regulatory requirements, the Bank aims to ensure that it has sufficient liquidity resources (liquidity buffer) to mitigate short-term liquidity stress.

As at 31 December 2024, the LCR for all currencies was 179.6190%, with the NBU setting a minimum requirement of 100% (as at 31 December 2023 – 233.6314%).

As at 31 December 2024, the LCR in foreign currency was 329.3071%, with the NBU setting a minimum requirement of 100% (as at 31 December 2023 – 426.6723%).

Net Stable Funding Ratio (NSFR)

The net stable funding ratio (NSFR) was introduced by the Bank as part of the Basel Committee on Banking Supervision requirements as a regulatory indicator for assessing a bank's structural funding profile. The NSFR is designed to reduce medium- and long-term funding risks by requiring banks to maintain a stable funding profile for their on- and off-balance sheet activities. The ratio is defined as the sum of available stable funding (the portion of capital and liabilities that are expected to be a stable source of funding) relative to the sum of required stable funding (existing assets with different liquidity characteristics).

As at 31 December 2024, the NSFR was 221.0025% with the NBU setting a minimum requirement of 100% (as at 31 December 2023 – 249.4283%).

Funding structure

The Bank's main tool for monitoring and managing funding risk is the funding matrix (GEP analysis). The funding matrix assesses the Bank's funding structure for a period of more than one year. To create the funding matrix, all assets and liabilities related to financing are mapped to time segments corresponding to their contractual or modeled maturity dates. This allows the Bank to identify expected excesses and shortfalls of term liabilities over assets in each time period, facilitating the management of potential liquidity risks. The liquidity maturity profile is based on contractual cash flow information.

The cumulative maturity profile of assets and liabilities over 1 year allows identifying any long-term excesses or short-term gaps in the Bank's maturity structure.

4.4. Financial investments

The Bank makes financial investments in secure financial instruments with fixed returns in order to obtain market-level profits with an acceptable level of risk. Decisions on investing the Bank's funds in national and foreign currencies in financial instruments are made by the Bank's collegial bodies, in particular the Supervisory Board, the Management Board, and the Credit Committee.

The Bank's priority areas for investment are the following financial instruments:

- domestic government bonds (including military bonds);

- foreign bonds issued by foreign issuers with investment ratings from leading international rating agencies.

When carrying out investment operations, the bank also invests its own funds in projects that are socially important for the country. In particular, the bank is an investor in military bonds of the Ministry of Finance of Ukraine, targeted bonds of the Government of Canada issued for sovereign support of Ukraine, and corporate bonds of the issuer LLC "K2000" (Veterans Bonds).

As at 31 December 2024, the bank's financial investment portfolio consists of the following groups of securities:

Financial investments accounted for at fair value through other comprehensive income:

Domestic government bonds in national currency – UAH 4,813,273 thousand;
Foreign bonds issued by foreign issuers with investment ratings from leading international rating agencies – UAH 336,789 thousand;

Financial investments accounted for at amortized cost:

Deposit certificates of the National Bank of Ukraine – UAH 10,789,577 thousand;
Non-bank financial institution bonds (corporate) – UAH 399 thousand.

4.5. Environmental aspects

The disposal of waste containing mercury, as well as harmful and environmentally hazardous automotive components such as batteries and tires, is one of the priority issues in the field of ecology in our country.

Nowadays, energy-saving fluorescent light sources, which consume much less electricity and provide much brighter and more pleasant light, have almost completely replaced traditional incandescent lamps. They consume much less electricity and provide much brighter and more pleasant light, but they contain dangerous mercury compounds, so fluorescent lamps should be disposed of in accordance with established rules and should not be thrown into containers intended for ordinary household waste. As is the case with other hazardous waste, the disposal of fluorescent lamps must be entrusted to specialized companies with the appropriate license.

The Bank has concluded contracts for the disposal of fluorescent lamps with such specialized companies and hands over used lamps for disposal, thus complying with safety regulations and avoiding environmental pollution, which is a very important task for maintaining the ecological balance. Another very pressing issue today is the collection and recycling of used car batteries.

Car batteries that have reached the end of their useful life pose a danger to human health and the environment due to the materials used in their manufacture. There are two main types: acid and alkaline. Acid batteries are much more common. They contain diluted sulfuric acid, lead, and a number of other metals. In alkaline batteries, harmful substances include alkali, nickel, and some other components. Even the simple plastic of the battery case is harmful to the environment.

The battery can be called the most short-lived part of a car, with an average service life of only 30 months. Under the current circumstances, the only reasonable solution is to organize a centralized system for the collection of used batteries and other sources of secondary lead scrap and their comprehensive recycling to obtain commercial lead and lead alloys.

Thus, the recycling of car batteries is extremely important.

Used batteries contain:

- spent lead (in the form of lead plates used as electrodes);

- electrolyte (battery sulfuric acid with a concentration of up to 40% by weight in a charged state and up to 24% in a discharged state);

- polymer containers with residues of toxic substances (plastic tanks or ebonite or polypropylene casings, polyvinyl chloride separators separating plates with different charge signs).

All components of used batteries are hazardous to the environment and human health.

The Bank hands over used car batteries for recycling to specialized companies with which it has concluded agreements, thus ensuring that disposal is carried out without harm to the environment, human health, and in accordance with the law.

Car tires also pose a serious environmental problem. The substances used in the production, processing, and disposal of tires are extremely toxic to humans and the environment because rubber contains elements that are practically non-biodegradable under natural conditions, and even if they are biodegradable, it takes a very long time, during which the environment is destroyed. Car tires have a rather complex chemical composition, including synthetic and natural rubber, steel, graphite, polystyrene, as well as synthetic oils, nylon, and glue. Toxins released during tire decomposition, intentional burning, or accidental fires severely pollute water, air, and soil. Under the influence of natural precipitation, toxic substances are washed out of discarded tires, which first enter the groundwater and then rise into the atmosphere. The same happens when tires are burned. Recycling and reuse of end-of-life tires is extremely important for Ukraine. Therefore, car tires are also handed over by the Bank for disposal to specialized companies with which appropriate agreements have been concluded.

The collection of recyclable materials (waste paper) also contributes to the optimization of the use of the planet's resources and the improvement of the environment in cities. Documents with expired storage periods are transferred by the Bank for recycling. Given that all large cities have pollution problems and that up to half of a city's waste is paper products that can be recycled, the task of recycling is of great importance. In addition, the paper recycling process requires significantly less electricity than the production of new wood products, which is very good for the environment and the world as a whole.

The Bank also disposes of worn-out office and small household appliances (lamps, kettles, safes, calculators, document shredders).

This equipment and appliances that have become unusable can be a source of toxic substances that poison the soil and air (plastic housings, lead, and other harmful substances pose a threat to public health).

In addition, office equipment and household appliances contain electronic components, which are sometimes quite complex. Such components are a source of gold, silver, and copper. This useful recycling process involves several stages: the casing is crushed under a press, then, under the influence of a magnetic field, iron is removed from the mass, and finally, everything is burned to leave the precious metals. This procedure is only possible with the use of complex and sophisticated equipment, which is only available to professional companies specializing in the recycling of household and computer equipment.

By using the services of such companies, the Bank contributes to the preservation of the environment and the reuse of valuable raw materials in new products.

5. Human resources policy

Human resources management is one of the most important tasks in implementing an effective human resources policy to ensure the Bank's further development.

As of the end of 2024, the Bank had 1,257 employees, including 68% women and 32% men. Almost 84% of the Bank's employees have a university degree. Over 66% of employees are aged between 25 and 49, with an average age of 44.

The goal of the human resources management concept is to create a system founded not on administrative methods, but on economic incentives and social guarantees aimed at aligning the interests of employees with the Bank's goals in achieving high labor productivity and the highest economic results of the Bank's activities.

The main task of personnel management is to mobilize employees for continuous and consistent improvement of the Bank's economic performance, which is achieved through:

- selection of qualified and motivated employees;
- effective utilization of the skills and abilities of personnel;
- improvement of motivation systems;
- increasing the level of job satisfaction of all categories of personnel;
- development and maintenance of a high-level system of personnel training;
- ensuring a normal moral climate in the team;
- career management of employees;
- influence the creative activity of personnel, assisting in the implementation of innovative plans;
- improvement personnel assessment methods;
- ensuring a high standard of living for employees, making work at the Bank desirable.

One of the areas of human resources policy focuses on improving the qualifications of the Bank's specialists by familiarizing them with the latest achievements in the field of banking with a view to implementing these achievements in their daily work. The Bank sets high standards for the professional and personal qualities of its employees: initiative, responsibility, corporate spirit, and culture. Fierce competition in the banking market requires constant monitoring of the compliance of specialists' qualifications with new trends and tasks. Therefore, the Bank's management pays great attention to the training of specialists, retraining and upgrading their qualifications.

Guarantees of equality in relations between the Bank and its employees are confirmed by:

- the Bank's compliance with generally accepted standards of conduct and corporate ethics, recognition of the significant role of the Bank's managers and employees in ensuring the success of the Bank's activities, as emphasized in the Corporate Code;
- the implementation of a personnel policy based on equal conditions for the selection of candidates for membership of the Supervisory Board and the Management Board of the Bank, other managers and employees for other positions in the Bank, opportunities for career growth, remuneration based on professional achievements and personal contribution to the Bank's activities, and, in the event of circumstances requiring the application of penalties, compliance with an objective assessment of the actions taken by the manager or other employee.
- the Bank's provision of equal rights to hold positions and appointment to positions regardless of gender, nationality, ethnic and social origin, sexual orientation, religious or political views, or marital status of employees;
- creation of safe working conditions in terms of occupational health and safety and other safety aspects;
- creation of a corporate culture, risk management culture, including the necessary atmosphere ("tone at the top");
- fulfillment of mutual obligations, observance of rights and responsibilities in accordance with internal regulations;
- opportunities for professional development, training, and knowledge acquisition by Bank employees at the Bank's expense, as well as facilitating this process at the personal expense of employees.

The Bank guarantees its managers and employees prompt payment of wages, payment of taxes, compensation for travel expenses, provision of leave, and other guarantees in accordance with the law and internal documents.

The Bank has established a permanent commission to test knowledge of occupational safety issues. Occupational safety briefings, training, and testing are conducted on a regular basis. Persons under the age of 21 are required to undergo medical examinations at health care facilities, and drivers of motor vehicles undergo pre-trip medical examinations. In accordance with the law, "Comprehensive measures to achieve established standards and improve the existing level of occupational safety" have been approved and agreed upon and are being implemented in full. Special clothing and personal protective equipment are purchased for Bank employees responsible for cash collection or security.

The Bank's occupational health and safety strategy defines the Bank's policy, goals, objectives, key principles, and areas of activity in creating proper and safe working conditions and preventing accidents, occupational diseases, traffic accidents, and emergencies.

Under martial law, the Bank's management has developed an "Action Plan for Bank Employees Working in the Office During an Air Raid Alarm Under Martial Law/Emergency Conditions" and created all conditions for the safe work of Bank employees.

The Bank's attitude towards human rights, the protection of employees' rights, the ensuring of equality, and the relations between employees and the Bank are determined by internal documents, in particular the Corporate Code of PJSC "BANK VOSTOK", which establishes generally binding rules of conduct and corporate ethics in the Bank's activities, namely:

- respect for human rights and personal dignity, creation of equal opportunities for managers and other employees. The Bank values its managers and other employees, creates working conditions for them in accordance with regulatory and legal acts on labor protection, ensures compliance with the requirements of legislation on the rights of managers and other employees in the field of labor protection, encourages them for their success in work, and expects high standards of corporate ethics and professional achievements from them;
- relationships between managers and other employees, regardless of their position or field of activity, are based on mutual respect and mutual assistance, discipline and subordination, openness and friendliness, teamwork and cooperation. management is open towards other employees, managers provide equal opportunities to all their subordinates to perform their duties, support initiative, impartiality, and fair assessment of employees' performance, provide opportunities without risk of punishment for confidential reporting of unacceptable behavior/violations, including by reporting to the Supervisory Board;
- employees are not allowed to treat each other in a disrespectful or offensive manner, or to fail to comply with generally accepted standards of conduct and corporate ethics.

The Bank's employees are the foundation of its reputation. Therefore, relations between employees and the Bank are based on the one hand, on the Bank's commitment to respect human rights, equality, and the protection of employee rights, and on the other hand, on the awareness of all employees that any unethical or anti-social actions committed in the workplace or during leisure time, as well as unacceptable behavior, may damage the Bank's reputation.

6. Corporate governance and social responsibility

6.1 Corporate Governance

The document that defines and establishes the basic principles and standards of corporate governance of the Bank, the principles of protection of the rights and interests of shareholders, depositors, and other interested parties, management and control mechanisms, and the principles of openness and transparency in its activities is the Corporate Governance Code of PJSC "BANK VOSTOK", approved by Shareholder Resolution No. 6 dated 28 September 2023, and the Regulations on the Organization of Corporate Governance of PJSC "BANK VOSTOK", approved by the Bank's Supervisory Board Resolution No. 197 dated 28 September 2023.

The Corporate Governance Code of PJSC "BANK VOSTOK" is available on the Bank's official website at: https://bankvostok.com.ua/public.

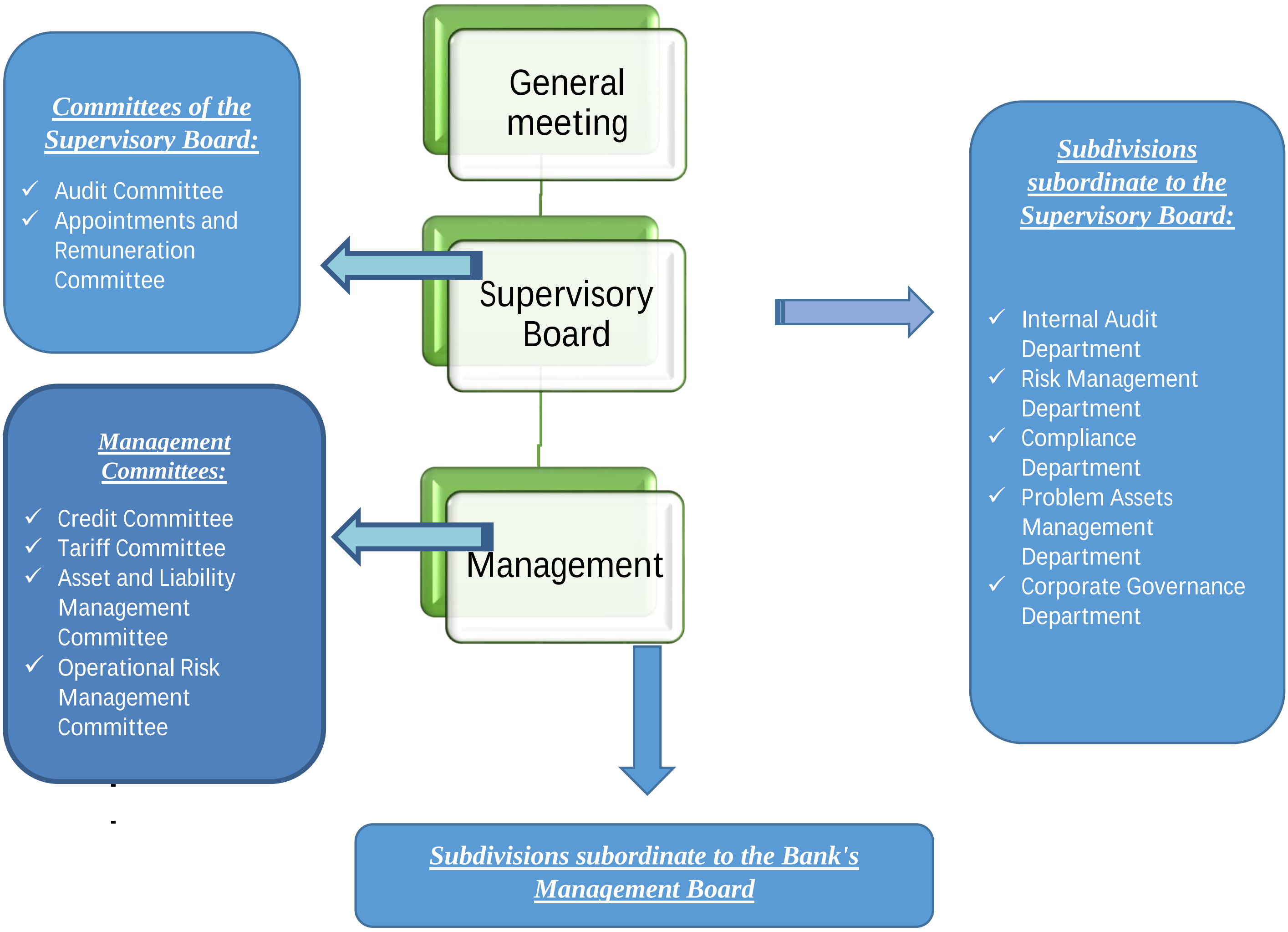
The main principles of corporate governance of the Bank are as follows:

- the principle of guaranteeing the rights and interests of shareholders, customers, and other stakeholders;
- the principle of effective management – the existence of an effective internal control system at the Bank to ensure strategic, operational, and ongoing control over its financial and economic activities, the creation of conditions for the timely exchange of information and effective interaction between the Bank's management bodies so that officials act on the basis of all necessary information, in good faith, conscientiously and reasonably in the interests of shareholders and customers, active participation of the Bank's employees in the corporate governance process, increasing their interest in effective activities and final results;
- the principle of effective distribution of powers between management bodies – the existence within the Bank's corporate structure of an independent Supervisory Board and a qualified executive body accountable to it, which effectively manages current activities – the Management Board, rational and clear distribution of powers between them, effective risk management, internal control measures implemented to comply with legislation, relevant professional association standards applicable to the Bank, and internal documents;
- the principle of effective control over financial and economic activities – the existence of an independent system of accountability and control over the Bank's financial and economic activities, both through the involvement of an external auditor and through the creation of an internal audit department;
- the principle of corporate social responsibility – compliance with the rights and legitimate interests of stakeholders as provided by applicable law, active cooperation with stakeholders to create prosperity, jobs, and ensure the financial stability of the Bank;
- the principle of transparency of ownership structure and information disclosure – ensuring disclosure of information and transparency of activities, including the Bank's financial condition,

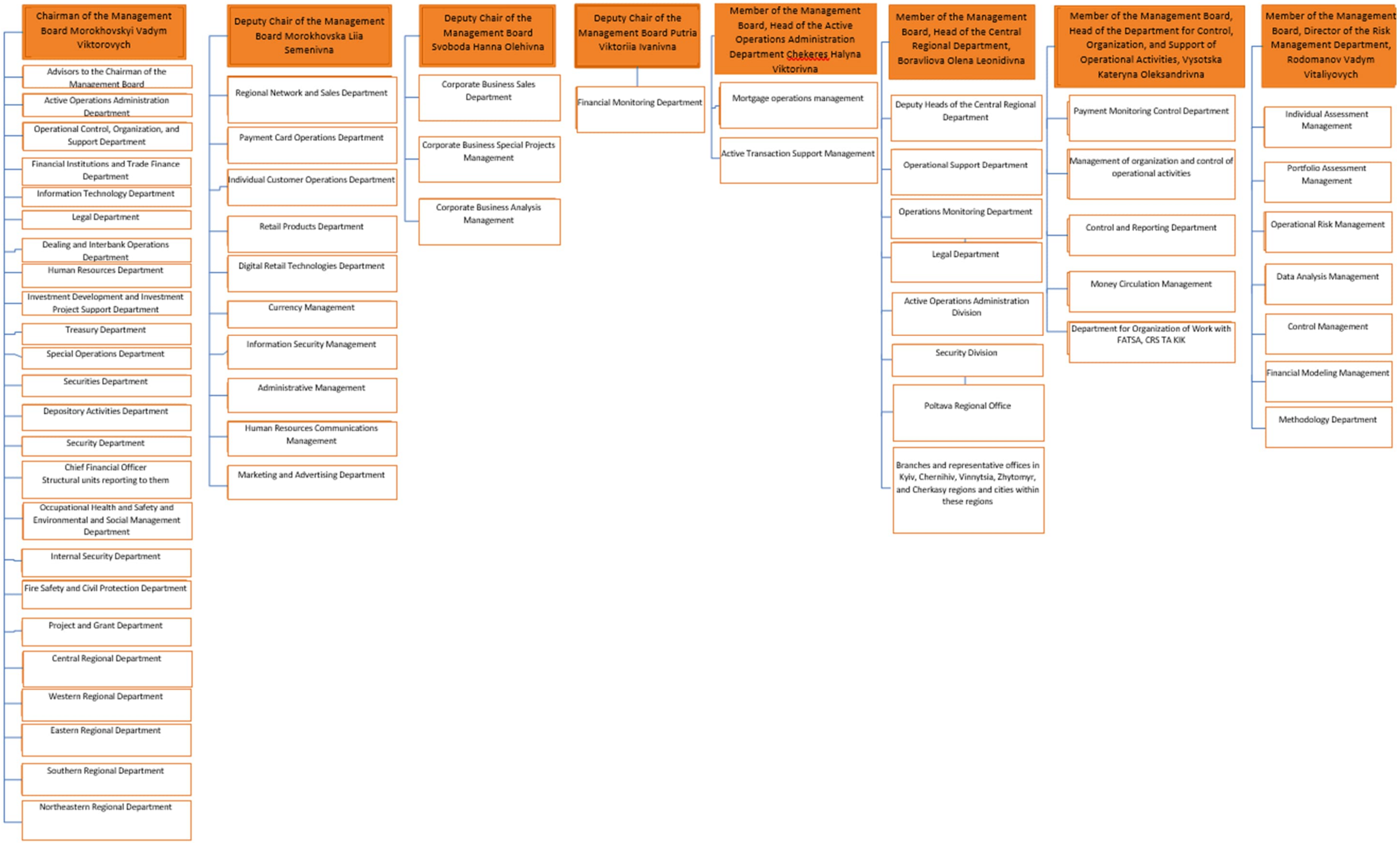
economic indicators, significant events, ownership structure, and management in order to enable the Bank's shareholders and customers to make informed decisions;

- the principle of compliance with the law and ethical standards – compliance with all applicable laws and internal documents of the Bank, adherence to ethical standards of business conduct;
- the principle of fair remuneration – the amount and types of remuneration depend on the volume and effectiveness of the Bank's activities, taking into account the strategic goals and current needs of the Bank;
- the principle of competence – members of the Supervisory Board, members of the Management Board, and other employees of the Bank understand their powers and responsibilities and adhere to high professional standards in the performance of their duties.

Corporate governance model in effect as at 31 December 2024



Corporate governance model in effect as at 31 December 2024 (continued)



An integral part of the Bank’s Corporate Code is its anti-corruption policy. The Bank’s anti-corruption policy is based on the principles and measures enshrined in the Corporate Code.

The anti-corruption policy of PJSC “BANK VOSTOK” provides for:

- creation of effective mechanisms, procedures, controls and other measures aimed at combating corruption;
- development of intolerance to corruption among managers and other employees;
- development of a common understanding of the principles of the Anti-Corruption Policy among managers and other employees, customers and counterparties;
- minimalization of risks of involvement of the Bank, its managers and other employees in corrupt activities;
- notification of the Bank’s management bodies about corruption crimes committed by managers and other employees of the Bank and measures taken to combat corruption.

Anti-corruption compliance is an integral part of the Bank’s compliance system.

The main measures to prevent corruption in the Bank’s activities are:

- mechanisms to monitor compliance by managers and other employees with the requirements of legislation on preventing and combating corruption in the performance of their duties;
- restrictions defined by the Bank’s Corporate Code on entertainment expenses/entertainment events and the giving/receiving of gifts by managers and other employees of the Bank in the performance of their official duties;
- establishment of prohibitions, rules, and requirements to prevent abuse by managers and other employees when interacting with government authorities, regulatory bodies, and their officials, as well as officials of clients and counterparties;
- training and implementation of measures to disseminate information on the Bank’s anti-corruption activities;
- establishment of the obligation of employees to immediately report attempts to induce them to commit a corruption offense, as well as corruption offenses committed by other employees/managers or other persons in relation to the Bank or in the interests of the Bank in relation to other persons.

In its activities, the Bank adheres to the principle of non-acceptance of corruption, i.e., “zero tolerance” and inevitability of punishment for any manifestations of corruption and bribery.

At least once a year, the Bank conducts a separate assessment of corruption risk based on a combination of the main categories of sociological indicators of corruption used in international and national practice.

In order to prevent the Bank and its employees from participating in or using corruption, the Bank ensures that employees comply with the requirements of the policy on preventing and combating corruption, bribery, and abuse in the performance of their duties, which has three organizational levels and complies with the Bank’s internal control and risk management policy.

Environmental protection is currently a very pressing issue. The Bank has entered into agreements with specialized companies for the disposal of used fluorescent lamps, car batteries, car tires, worn-out office equipment, and small household appliances. In addition, the collection of secondary raw materials, in particular waste paper, contributes to the optimization of the use of the planet's resources and the improvement of the environment in cities. Waste paper is sent by the Bank for recycling.

6.2 Charitable and sponsorship assistance

Charitable and sponsorship assistance in 2024 amounted to UAH 27,355 thousand, including:

Assistance to the Miloserdya Viktor Charitable Fund amounted to UAH 12,763 thousand. Thanks to these funds, a number of important initiatives were implemented. For example, drones, equipment, and electronics were purchased for the State Emergency Service (SES) of the Odesa region, and a vehicle was re-equipped, which significantly improved the ability of rescuers to perform their tasks.

Special attention was paid to helping the military medical hospital in the Odesa region. Syringes, bandages, and other medical supplies were purchased for the military, ensuring proper care for wounded defenders.

The fund also actively supports military personnel. With the support of the fund, night vision devices, auto parts, technical fluids, quadcopters, cars, rehabilitation equipment, virtual reality glasses, tracking systems, laptops, and other equipment were purchased. Much of this aid was transferred to military units and medical institutions, including the Cancer Institute, which received modern medical equipment.

The Miloserdya Viktor Charitable Fund provides significant support in various areas aimed at helping children, military personnel, and rescuers. In particular, considerable attention is paid to the children of military personnel who have been killed or are missing in action. With the Bank's assistance, four children's camps were organized for them, where the children received psychological support, participated in developmental activities, and were able to spend time in a safe environment.

Through these efforts, the Bank is making a significant contribution to supporting and protecting those most in need of assistance in wartime.

UAH 1,400,000 was allocated to the Superhumans Charitable Foundation for the creation of a multifunctional facility, the Superhumans Center.

Assistance to the military was provided in the amount of UAH 4,095 thousand in the form of free transfers of military transport spare parts, tires, Starlink satellite modems, Xiaomi TVs, UAVs, Amulet shields, as well as free transfers of blood transfusion devices to the Military Medical Clinical Center.

Assistance in the amount of UAH 1,000 thousand was provided to the National Children's Specialized Hospital "Kharkiv Medical Academy of Post-Injury and Deformity Treatment" of the Ministry of Health of Ukraine.

Regular charitable assistance to the Association of Chess and Checkers Clubs of the Odesa Region for the maintenance of club premises and utilities, as well as sponsorship for competitions, amounted to UAH 417,000. In addition, assistance in the amount of UAH 161,000 was provided to individuals for the purpose of supporting chess.

Financial assistance in the amount of UAH 100,000 was provided to the Odessa National Scientific Library for the development of digital resources and services.

Assistance in the amount of UAH 260,000 was provided to the Odessa Academic Ukrainian Theater for the creation of the play "A Christmas Carol".

Charitable assistance in the amount of UAH 100,000 was paid to the Mykolaiv Region Football Association to help the civilian population of Mykolaiv and the region and to hold competitions in support of the Armed Forces of Ukraine and the Territorial Defense Forces.

Assistance in the amount of UAH 1,225,000 was allocated to the Union Odessa Charitable Foundation to promote the development of culture and education among various segments of society through various cultural and educational events, such as book presentations, conferences, seminars, literary evenings, etc.

The bank also pays named scholarships to the best students of the Odessa National Economic University – scholarships in the amount of UAH 168,000 were paid.

Charitable assistance in the amount of UAH 60,000 was paid to the NGO "Holocaust Research Center" for the statutory purposes of the organization.

The Monster Corporation Charitable Foundation provided assistance in the amount of UAH 240,000 for the fund's administrative expenses.

Assistance to the South Ukrainian Association of Jewish Communities amounted to UAH 1,950,000 for the implementation of its statutory activities.

Assistance in the amount of UAH 100,000 was provided to the Mykolaiv Jewish religious community for the organization and conduct of national holidays, the publication of the newspaper "Yahad" and other religious activities.

Assistance to the NGO "Center for Project Initiatives 'DIREKT' was paid in the amount of UAH 30,000 for consultations and partnership activities.

Assistance in the amount of UAH 12,000 was provided to the Union of Ukrainian Entrepreneurs to support the event "SUP DAY FORUM LVIV 2024."

Assistance in the amount of UAH 150,000 was provided to the NGO Marazli Club for its statutory activities.

Assistance in the amount of UAH 174,000 was provided to the Odesa Regional Association of Jews, Former Prisoners of Ghettos and Nazi Concentration Camps for the installation of commemorative plaques.

Assistance in the amount of UAH 119,000 was provided to the NGO "Law of Nature" for its statutory activities.

Assistance in the amount of UAH 59,000 was provided to the "Kharkiv Information Technology Cluster" for its statutory activities.

Assistance in the amount of UAH 77,000 was provided to the NGO "Odesa Business Club" for its statutory activities.

Assistance in the amount of 35,000 UAH was provided to the NGO “World Club of Odessans” to support the organization’s budget.

Assistance in the amount of 15,000 UAH was provided to LLC “IA “Mediainform” to continue the informational activities of the TV channel “Mediainform".

Assistance in the amount of UAH 1,000,000 was allocated to the National Tourist Organization of Ukraine for the organization of the Odesa Revival Economic Forum.

Assistance in the amount of UAH 124,000 was provided to the NGO Metaromantika to carry out the organization’s current tasks, in particular, to promote works of art created by combatants and veterans.

Assistance in the amount of UAH 100,000 was provided to the Reva Charitable Foundation for events within the framework of the “Research of Evil” project.

Assistance to the Association of Family Business Owners in the amount of UAH 147,000 for the implementation of its statutory activities.

Assistance in the amount of UAH 20,000 to the National Union of Artists of Ukraine for the implementation of its statutory activities.

Assistance in the amount of UAH 20,000 to the Hurkit Charitable Foundation for the implementation of its statutory activities.

Assistance in the amount of UAH 333,000 to the NGO “Lumos Maxima” for the implementation of its statutory activities.

Assistance to individuals for treatment and support in difficult circumstances was provided in the amount of UAH 817,000.

Assistance was also provided to an individual in connection with the competition “What? Where? When?” in the amount of UAH 86,000.

Translation from Ukrainian original

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Independent auditor's report

To the Shareholder and the Supervisory Board of Public Joint Stock Company “Bank Vostok”

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Public Joint Stock Company “Bank Vostok” (hereinafter, the “Bank”), which are presented on pages 1 to 94, and comprise the statement of financial position as at 31 December 2024 and the statement of comprehensive income, profit or loss and the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 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 for the preparation of financial statements established by Law of Ukraine “On accounting and financial statements in Ukraine” No. 996-XIV.

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 of the Bank in accordance with the International Ethics Standards Board for Accountants’ (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 4 in the financial statements, which indicates that the Bank’s operations have been affected by the Russian Federation’s military invasion of Ukraine. As stated in Note 4, these events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Bank’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have

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determined the matter described below to be the key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	*How our audit addressed the key audit matter*
Assessment of expected credit loss on loans and advances to customers	
Assessment of expected credit losses (ECL) in accordance with IFRS 9, *Financial instruments*, is complex and inherently subjective process that requires application of judgements and making assumptions by the Bank's management. The Bank's expected credit losses calculations are outputs of complex models with a number of underlying assumptions regarding assessment of the probabilities of default (PD), exposures at default (EAD) and loss given default (LGD), selection of forward-looking macroeconomic scenarios, including impact of the military aggression of the Russian Federation against Ukraine, the estimation of the amount and timing of cash flows in scenarios for the assessment of expected credit losses on loans and advances to customers calculated on an individual basis. The use of different assumptions could produce significantly different estimates of expected credit losses on loans and advances to customers. In addition, the balance of loans and advances to customers represents a significant portion of total assets of the Bank and is a material to the financial statements.	Our audit procedures included assessment of the methodology, approaches and assumptions used by the Bank in respect of historical and macroeconomic information, including changes in economic conditions related to the impact of the military aggression of the Russian Federation against Ukraine based on the facts and circumstances at the reporting date, in the assessments of expected credit losses on loans and advances to customers. With respect to allowance for expected credit losses calculated on a collective basis, our audit procedures comprised obtaining an understanding, evaluating the design, and testing operating effectiveness of the controls related to the process of expected credit losses assessment on loans and advances to customers. We identified and tested controls related to input data and calculations of expected credit losses on loans and advances to customers. We involved our risk management specialists to assist us with the analysis of the Bank's ECL methodology and models. We also tested on a sample basis completeness and accuracy of historical data used as inputs in models and compared forward-looking inputs with external macroeconomic forecasts.

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Key audit matter	*How our audit addressed the key audit matter*
Taking into account the significance of loans and advances to customers balances, high level of subjectivity of assumptions and uncertainty related to the impact of the military aggression of the Russian Federation against Ukraine, we considered that assessment of expected credit losses on loans and advances to customers was a key audit matter. Information on expected credit losses and risk management policies is included in Notes 4, 5, 7 and 27 in the financial statements.	For a sample of loans assessed on an individual basis, our audit procedures comprised analysis of assessment of financial condition of the counterparty and review of valuation of underlying collateral and forecasts of future cash flows which were incorporated in multiple scenarios of the assessment of expected cash flows. In addition, we considered whether current conditions related to the military aggression of the Russian Federation against Ukraine were included in the assessment of expected credit losses. Also, we analysed the Bank's information about expected credit losses on loans and advances to customers included in the notes in the financial statements.

Other matter

The financial statements of the Bank for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 April 2024. The auditor's report included a "Material uncertainty related to going concern" section.

Other information included in the Management report and the Bank's Annual Information of the Issuer of Securities for 2024

Other information comprises the Management report, but does not include financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and other information included in the Bank's Annual Information of the Issuer of Securities (including the Corporate Governance report), which is expected to be made available to us after that date. Management is responsible for the other information.

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.

When we read the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement therein, we will communicate the matter to the Supervisory Board.

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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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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;

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- 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 and the Audit Committee 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 and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board and the Audit Committee, 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.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine “On audit of financial statements and auditing activity” No. 2258-VIII (the “Law No. 2258-VIII”) we provide the following information in our Independent Auditor’s Report, which is required in addition to the requirements of International Standards on Auditing and in accordance with “Requirements to the information related to the audit and review of capital market participants and organized commodity markets under supervision of the National Securities and Stock Market Commission (the NSSMC)” approved by the NSSMC Decision №555 dated 25 July 2021 (hereinafter – ”NSSMC Requirements”):

Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the Bank’s financial statements on 10 October 2024 by the Supervisory Board. Our appointment has been renewed annually by the Supervisory Board. The period of total uninterrupted engagement for performing the statutory audit of the Bank is one year.

Consistency of the independent auditor’s report with the additional report to the Supervisory Board and the Audit Committee

We confirm that this independent auditor’s report is consistent with the additional report to the Supervisory Board and the Audit Committee of the Bank, which we issued on 16 May 2025 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 6 paragraph 4 of Law No. 2258-VIII were provided. In addition, there are no non-audit services which were provided by us to the Bank except as disclosed in the Bank’s Management report.

Електронний підпис
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Reporting under the NSSMC requirements

- Full legal name of the Bank, information on the ultimate controlling party as well as ownership structure are disclosed in Notes 1 to the Bank's financial statements.

- As at 31 December 2024, the Bank had no subsidiaries and was not a controller or a participant of a non-banking group.

- The Bank is a public interest entity according to the requirements of Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

- Prudential ratios, established by the NSSMC for relevant activity of professional participants in capital markets and organized commodity markets, are not applicable to banks that perform professional activities at stock markets in accordance with "Regulation on prudential ratios for professional activities at stock markets and risk management requirements" (as amended) approved by the NSSMC Decision No.1597 dated 1 October 2015.

- The Revision Commission has not performed a review of the Bank's financial and economic activities for the year as the Revision Commission has not been formed.

Limited liability company "Ernst & Young Audit Services" (ERDPOU: 33306921, web-site: www.ey.com/en_ua) have audited the Bank's financial statements according to agreement No. C-UA50-2024-ASU-2438 dated 14 October 2024. The audit was conducted in the period from 14 October 2024 to 16 May 2025.

The partner in charge of the audit resulting in this independent auditor's report is Studynska Y.S.

For and on behalf Ernst & Young Audit Services LLC

Svistich O.M.
General Director

Registration number in the Register of auditors and audit firms: 101250

Електронний підпис
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Studynska Y.S.
Partner

Registration number in the Register of auditors and audit firms: 101256

Kyiv, Ukraine
16 May 2025

Електронний підпис
Студинська
Юлія
Сергіївна
ЄДРПОУ/ІПН
33306921
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Ernst & Young Audit Services LLC is included in the Register of auditors and audit firms, which is maintained by the Audit Public Oversight Body, registration number: 3516

Документ підписано у сервісі Вчасно (продовження)
ISA 700_Independent auditor’s report_2024_PJSC_BANK_VOSTOK.pdf

Документ відправлено: 16:42 24.07.2025

Відправник документу

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16:42 24.07.2025
ЄДРПОУ/ІПН: 33306921
Юр. назва: ТОВ "ЕРНСТ ЕНД ЯНГ АУДИТОРСЬКІ ПОСЛУГИ"
Власник ключа: Студинська Юлія Сергіївна
Час перевірки КЕП/ЕЦП: 16:42 24.07.2025
Статус перевірки сертифікату: Сертифікат діє
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Тип сертифікату: кваліфікований

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16:43 24.07.2025
ЄДРПОУ/ІПН: 33306921
Юр. назва: ТОВ "ЕРНСТ ЕНД ЯНГ АУДИТОРСЬКІ ПОСЛУГИ"
Генеральний директор: СВІСТІЧ ОЛЕКСАНДР МИХАЙЛОВИЧ
Час перевірки КЕП/ЕЦП: 16:43 24.07.2025
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Тип сертифікату: кваліфікований

Translation from Ukrainian original

PJSC "BANK VOSTOK"

Statement of Financial Position
as of 31 December 2024
(in thousands of hryvnias)

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	6	4,092,890	6,532,001
Loans and advances to banks	7	2,674,033	985,431
Loans and advances to customers	8	10,389,110	8,243,854
Investments in securities	9	15,940,038	11,746,019
Derivative financial assets	30	465	–
Intangible assets other than goodwill	10	47,367	36,691
Property, plant and equipment	10	85,938	68,250
Right-of-use assets	11	73,105	46,213
Other financial assets	12	525,843	446,963
Other non-financial assets	12	98,156	77,039
TOTAL ASSETS		33,926,945	28,182,461
LIABILITIES			
Due to other banks	13	79,333	382,436
Customer accounts	14	30,510,257	24,853,445
Lease liabilities	11	80,924	46,387
Derivative financial liabilities	30	208	2,120
Other borrowed funds	16	398,648	412,542
Provisions for loan commitments and financial guarantee contracts		9,876	6,571
Provisions for employee benefits		36,875	25,318
Current tax liabilities		154,432	171,815
Other financial liabilities	15	125,313	70,039
Other non-financial liabilities	15	24,848	21,330
Deferred tax liabilities	26	44,113	28,045
Subordinated debt	17	325,227	291,697
TOTAL LIABILITIES		31,790,054	26,311,745
EQUITY			
Issued capital	19	1,517,172	1,517,172
Result from transactions with the shareholders		10,090	10,051
Retained earnings		480,028	236,978
Reserve and other funds of the bank	19	78,884	67,083
Other reserves		50,717	39,432
TOTAL EQUITY		2,136,891	1,870,716
TOTAL LIABILITIES AND EQUITY		33,926,945	28,182,461

Authorised for issue by the Management Board on 15 May 2025,
and signed on its behalf on 16 May 2025.

Morokhovskyi Vadym Viktorovych
Chairman of the Management Board

Siuskova Olena Petrivna
Chief Accountant

PJSC “BANK VOSTOK”

Statement of Comprehensive Income, Profit or Loss
for the year ended 31 December 2024
(in thousands of hryvnias)

	Note	For 12 months of 2024	For 12 months of 2023
Interest income	20	3,103,353	2,667,076
Interest expense	20	(1,206,064)	(1,079,523)
Net interest income (Net interest expense)		1,897,289	1,587,553
Commission income	21	1,516,901	1,240,676
Commission expenses	21	(967,283)	(713,444)
Net gain (loss) on financial instruments at fair value through profit or loss	30	3,595	(4,507)
Net gain (loss) on debt financial instruments at fair value through other comprehensive income		35,845	(8,449)
Gain (loss) arising on derecognition of financial assets at amortized cost		8,200	3,877
Net gain (loss) on trading in foreign currency		105,650	166,618
Net gain (loss) on foreign exchange translation		82,802	33,512
Other income		326	211
Other expense		(2,434)	(3,501)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	22	(262,765)	(416,804)
Income (expense) on initial recognition of financial assets at an interest rate higher or lower than the market rate		11,943	24,495
Income (expenses) on initial recognition of financial liabilities at an interest rate higher or lower than the market rate		210	(466)
Other operating income (expense)	23	61,872	78,370
Employee benefit expense	24	(811,411)	(689,464)
Depreciation and amortization expense	10, 11	(127,174)	(125,934)
Other administrative and operating expenses	25	(1,037,992)	(681,910)
Profit (loss) before tax		515,574	490,833
Tax expense	26	(260,724)	(254,799)
PROFIT (LOSS)		254,850	236,034
Other comprehensive income/(loss):			
Components of other comprehensive income that will be reclassified to profit or loss, before tax:			
Gain (loss) on financial assets at fair value through other comprehensive income, before tax		26,311	187,239
Income tax relating to financial assets at fair value through other comprehensive income included in other comprehensive income		(15,026)	(41,101)
Total amount of other comprehensive income		11,285	146,138
TOTAL COMPREHENSIVE INCOME		266,135	382,172
Ordinary shares		3,073,500	3,073,500
Basic and diluted earnings per share (UAH per share)		82.92	76.80

Authorised for issue by the Management Board on 15 May 2025, and signed on its behalf on 16 May 2025.

Morokhovskyi Vadym Viktorovych
Chairman of the Management Board

Siuskova Olena Petrivna
Chief Accountant

PJSC “BANK VOSTOK”

Statement of Changes in Equity
for the year ended 31 December 2024
(in thousands of hryvnias)

	Note	Issued capital	Result from transactions with the shareholders	Reserve and other funds of the bank	Other reserves	Retained earnings	Equity
Previous reporting period							
Equity at the beginning of the period		1,255,432	10,051	53,298	(106,706)	276,725	1,488,800
Changes in equity		–	–	–	–	–	–
Comprehensive income		–	–	–	–	–	–
Profit (loss)		–	–	–	–	236,034	236,034
Other comprehensive income		–	–	–	146,138	–	146,138
Total comprehensive income		–	–	–	146,138	236,034	382,172
Distribution of previous years’ profits	19	261,739	–	13,785	–	(275,524)	–
Increase (decrease) through other changes, equity		–	–	–	–	(257)	(257)
Equity at the end of the period		1,517,172	10,051	67,083	39,432	236,978	1,870,716
Current reporting period							
Equity at the beginning of the period		1,517,172	10,051	67,083	39,432	236,978	1,870,716
Changes in equity		–	–	–	–	–	–
Comprehensive income		–	–	–	–	–	–
Profit (loss)		–	–	–	–	254,850	254,850
Other comprehensive income		–	–	–	11,285	–	11,285
Total comprehensive income		–	–	–	11,285	254,850	266,135
Distribution of previous years’ profits	19	–	–	11,801	–	(11,801)	–
Increase (decrease) through other changes, equity		–	39	–	–	–	39
Equity at the end of the period		1,517,172	10,090	78,884	50,717	480,028	2,136,891

Authorised for issue by the Management Board on 15 May 2025, and signed on its behalf on 16 May 2025.

Morokhovskyi Vadym Viktorovych
Chairman of the Management Board

Siuskova Olena Petrivna
Chief Accountant

PJSC "BANK VOSTOK"

Statement of Cash Flows
for the year ended 31 December 2024
(in thousands of hryvnias)

	Note	For 12 months of 2024	For 12 months of 2023
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Interest received		3,200,068	2,678,478
Interest paid		(1,169,382)	(1,064,596)
Commission income received		1,543,823	1,268,874
Commission expenses paid		(967,662)	(712,840)
Net increase/(decrease) from operation with financial instruments at fair value through profit or loss		1,218	48,615
Net increase/(decrease) from operation with foreign currency		105,650	166,618
Other cash inflows from operating activities		51,351	48,363
Administrative expenses and other paid operating expenses		(1,057,186)	(695,285)
Payments to and on behalf of employees		(799,853)	(684,755)
Income tax refunds (paid)		(277,065)	(110,338)
Cash flows from/ (used in) operating activities		630,962	943,134
Net (increase)/decrease in loans and receivables of banks		(1,423,139)	(2,176)
Net (increase)/decrease in loans and advances to customer		(2,019,118)	(224,170)
Net (increase)/decrease in other financial assets		(16,446)	(36,818)
Net (increase)/decrease in other assets		(19,793)	(24,557)
Net increase/(decrease) in due to other banks		(305,058)	245,746
Net increase/(decrease) in customer accounts		4,991,875	7,055,032
Net increase/(decrease) in other financial liabilities		44,979	14,027
Net increase/(decrease) in other liabilities		697	5,084
Net cash flows from operating activities/ (used in operating activities)		1,884,957	7,975,302
CASH FLOWS FROM (USED IN) INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(78,843)	(62,418)
Sale of property, plant and equipment		550	–
Purchase of intangible assets		(26,660)	(16,359)
Purchase of securities		(1,453,484,277)	(1,275,405,545)
Proceeds from sale and redemption of investments in securities		1,449,271,534	1,270,154,375
Net cash flows from investing activities/ (used in investing activities)		(4,317,696)	(5,329,947)

PJSC "BANK VOSTOK"

Report on cash flows (continued)
for the year ended 31 December 2024
(in thousands of hryvnias)

	Note	For 12 months of 2024	For 12 months of 2023
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Repayment of other borrowed funds	18	(60,221)	–
Payments on lease liabilities	18	(40,440)	(38,997)
Proceeds from borrowings	18	–	–
Repayment of borrowings	18	–	–
Payments on other equity instruments		–	(257)
Net cash flows from financing activities/ (used in financing activities)		(100,661)	(39,254)
Effect of exchange rate changes on cash and cash equivalents		94,289	63,260
Net increase/ (decrease) in cash and cash equivalents		(2,439,111)	2,669,361
Cash and cash equivalents at the beginning of the period	6	6,532,001	3,862,640
Cash and cash equivalents at the end of the period	6	4,092,890	6,532,001

Authorised for issue by the Management Board on 15 May 2025, and signed on its behalf on 16 May 2025.

Morokhovskyi Vadym Viktorovych
Chairman of the Management Board

Siuskova Olena Petrivna
Chief Accountant

Документ підписано у сервісі Вчасно
Management report, financial statements_31122024_Translation from Ukrainian original.pdf

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Відправник документу

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Голова Правління: Мороховський Вадим Вікторович
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Статус перевірки сертифікату: Сертифікат діє
Серійний номер: 24922C23624140810400000082F90900E8302100
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Власник ключа: ПУБЛІЧНЕ АКЦІОНЕРНЕ ТОВАРИСТВО "БАНК ВОСТОК"
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Тип сертифікату: кваліфікований

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Юр. назва: ПУБЛІЧНЕ АКЦІОНЕРНЕ ТОВАРИСТВО "БАНК ВОСТОК"
Головний бухгалтер: Сюскова Олена Петрівна
Час перевірки КЕП/ЕЦП: 16:06 24.07.2025
Статус перевірки сертифікату: Сертифікат діє
Серійний номер: 24922C23624140810400000006657090041EB2000
Тип підпису: удосконалений
Тип сертифікату: кваліфікований

1. Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 2024 for PUBLIC JOINT STOCK COMPANY “BANK VOSTOK” (hereinafter, the “Bank”).

The Bank was established on 23 April 2002 and registered by the National Bank of Ukraine (hereinafter, the “NBU”) on 17 October 2002 as CJSC “Agrobank”. On 27 March 2009, the Bank was re-registered as open joint stock company and, on 27 May 2010, as public joint stock company.

On 21 December 2011, 100% of the Bank’s shares were acquired by a group of legal entities and individuals. During 2012, changes in the shareholders’ structure took place. As at 31 December 2023 and 2022, 100% of the Bank’s shares were held by LLC “Vostok Capital”.

Major beneficiary owners of the Bank are Mr. V. M. Kostelman, Mr. V. V. Morokhovskyi, and Ms. L. S. Morokhovska.

The Bank provides banking services to individuals and legal entities, including attracting deposits and granting loans, investing in securities, transferring payments in Ukraine and abroad, exchanging currencies, and other services. The Bank is a participant of Individual Deposit Guarantee Fund (Registration Certificate No. 157 dated 19 November 2012), which operates under the Law of Ukraine “On Individual Deposit Guarantee System” No. 4452-VI dated 23 February 2012.

As at 31 December 2024 and 2023, the Bank had 35 branches in Dnipropetrovska, Odeska, Khersonska, Mykolaivska, Lvivska, Cherkaska, Kyivska, Kharkivska, Poltavska, Zaporizka, and Sumska regions and the city of Kyiv. The branch in Kherson remains suspended.

The Bank’s registered address is at: 24 Kursantska Street, Dnipro, Ukraine. The Bank’s Head Office units are located at: 39 Mykhaila Hrushevskoho Street, Odesa, Ukraine and 12 Krutohirnyi Uzviz, Dnipro, Ukraine.

2. Operating environment of the Bank

In 2024, macroeconomic conditions were favorable for financial institutions, which were able to ensure the proper conduct of payments and transfers, the preservation of and uninterrupted access to savings of the population and businesses, and provided more and more resources to the economy to overcome the consequences of the war. The liquidity, solvency, and operational stability of the banking system are not a cause for concern. The war remains the key risk to financial stability. It does not pose immediate challenges to banks and the stability of non-bank financial institutions, but it significantly increases their operating costs and restrains their risk appetite for developing certain business lines.

2. Operating environment of the Bank (continued)

Economic growth continues, although its pace has been volatile in recent months. Domestic demand remains the main driver of recovery, with government capital spending on defense and the stable operation of export logistics routes also contributing to growth. These factors will continue to have an impact next year. Russia's energy terror restrained business activity in Q4, but did not stop the growth of their production and revenues. The restoration of energy infrastructure will increase the potential for economic growth next year. At the same time, the Ukrainian economy continues to suffer from structural vulnerabilities as a result of the war. The state budget deficit, public debt, and gross external debt remain high. The significant external trade deficit persists due to sustained growth in import demand and the slow recovery of export capacity. Pressure on the foreign exchange market is intensifying, although the liberalization measures implemented so far have had a rather limited impact on foreign exchange demand. Stable inflows of international assistance ensure capital inflows and offset these risks. Thanks to its international reserves, the National Bank is able to ensure the stable functioning of the foreign exchange market and smooth out excessive exchange rate fluctuations.

At the end of the year, inflation accelerated, exceeding the National Bank of Ukraine's forecast. This was primarily due to higher food prices caused by poor harvests, as well as a certain increase in electricity prices, higher business labor costs, and the weakening of the hryvnia exchange rate during the year. There are hopes that inflationary pressures will ease from the middle of next year after the new harvest hits the market. In December, the National Bank raised its key policy rate by 0.5 percentage points to 13.5% to avoid a misalignment of inflation expectations. Tighter monetary conditions will halt the decline in commercial bank lending rates, which has lasted for over a year. Banks continue to rely on customer funds as the basis for their own funding. After a brief period of seasonal volatility, business and household deposits in banks are growing. This supports a high level of liquidity in the banking sector, with banks meeting short-term and long-term liquidity requirements with a significant margin. In the fall, the National Bank raised its reserve requirements, which slightly reduced banks' free liquidity reserves. Given the more active investment by banks, especially state-owned banks, in government securities, the share of deposit certificates in highly liquid assets declined. This change in the structure of liquid assets will require banks to manage their liquidity more actively, so we can expect more attractive conditions for attracting customer funds. At the same time, banks' liquidity is currently favorable for further investment in government bonds and lending.

Lending remains brisk in all segments due to stronger demand. In the survey on lending conditions, banks report growing demand for loans from customers, with business credit demand assessments at their highest since the end of 2021. The net hryvnia loan portfolio to businesses increased by more than 20% over the year, and to households by more than 30%. The corporate loan portfolio is growing in banks of all groups, driven by enterprises of various sizes. Financial institutions are actively financing enterprises in the largest sectors: agriculture, trade, and industry, thereby contributing to their growth. The memorandum signed by banks in the summer facilitated the financing of energy recovery on preferential terms. The step-by-step implementation of the Lending Development Strategy is eliminating existing gaps in the market to simplify access to credit resources.

2. Operating environment of the Bank (continued)

Banks are competing for business clients, which is reflected in the easing of lending standards. The financial condition of enterprises allows banks to grow their portfolios by lending to stable and solvent clients. Even those that enjoy privileges are mostly able to service their debts on market terms. Accordingly, the quality of the corporate loan portfolio is very good, with default rates at 2021 levels.

Competition in the retail unsecured lending segment is even stronger than in the corporate segment. More and more banks are actively seeking to strengthen their role in lending to the population. Despite the growth in loans, their level remains relatively low in relation to GDP and household income. This indicates significant room for portfolio growth. Mortgage lending is brisk but is the least stable of all segments.

The prolonged decline in interest rates has prompted banks to manage their assets more actively. This has paid off, with banks largely managing to maintain asset yields, while funding costs have declined slightly. As a result, banks' net interest margins remained very high. Thanks to the continued high profitability of core operations and the growth in commission income, banks can spend more on administrative needs without losing efficiency. Given the high quality of their portfolios, banks have almost no provisioning costs. As a result, their profitability remains significant and allows them to maintain high capital levels. A significant adverse factor for banks' profitability was the recent increase in the income tax rate to 50%, which will apply to financial results for the whole of 2024. The practice of retrospective tax innovations significantly complicates banks' capital planning and, for some, narrows their lending opportunities.

The key regulatory innovation of the last six months has been the transition of banks to a new three-tier regulatory capital structure. Banks have also begun to fully take into account all three key risks in their capital adequacy calculations: credit, market, and operational risks. In addition, financial institutions have the first results of their own capital adequacy assessments under the ICAAP. Taken together, this has ensured significant progress in bringing domestic banking regulations into line with European Union standards.

The economic recovery will continue, albeit at a limited pace due to the consequences of the war. Thanks to significant international support and the high level of adaptability of businesses and the population to the conditions of war, Ukraine's economy continues to recover. According to NBU estimates, Ukraine's real GDP grew by 3.4% in 2024, which is lower than the NBU's October forecast. 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 materialization 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 significant labor shortage. According to data published by the State Statistics Service of Ukraine, Ukraine's real GDP grew by 2.9% in 2024.

2. Operating environment of the Bank (continued)

International support will be sufficient to finance the budget deficit without emissions and maintain a stable situation on the currency market In 2024, Ukraine received approximately US dollars 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 dollars 43.8 billion at the end of 2024).

3. Adoption of new Standards and amendments thereto

New and amended IFRS that are effective for the current year. The following amendments to Standards and Interpretations have been applied by the Bank effective from 1 January 2024, but they have not had any material impact on the Bank’s operations and the financial statements:

- Amendments to IAS 1 “Presentation of Financial Statements” – “Classification of Liabilities as Current and Non-current ”;
- Amendments to IAS 1 “Presentation of Financial Statements” – “Non-current Liabilities with Contingencies”;
- Amendments to IFRS 16 “Leases” – “Lease Liability in a Sale and Leaseback”;
- Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosure” – “Supplier Financing Arrangements”.

The adoption of new Standards and Interpretations has not led to significant changes in the Bank’s accounting policies that would have an impact on the reporting data of the current and prior periods.

Standards and Interpretations in issue but not yet effective. The Bank has not applied the following new and revised IFRS that have been in issue but are not yet effective:

1) Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates” – “Lack of Exchangeability”.

2) Amendments to IFRS 7 “Financial Instruments: Disclosures” and IFRS 9 “Financial Instruments”: “Amendments to the Classification and Measurement of Financial Instruments”.

On 30 May 2024 the IASB issued Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” (the Amendments) which are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

3. Adoption of new Standards and amendments thereto (continued)

The Amendments include:

- A clarification that a financial liability is derecognised on the ‘settlement date’ and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute ‘non-recourse features’ and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

3) New IFRS 18 “Presentation and Disclosure in Financial Statements” (IFRS 18) which replaces IAS 1 “Presentation of Financial Statements”.

In April 2024 the IASB issued IFRS 18 “Presentation and Disclosure in Financial Statements” which replaces IAS 1 “Presentation of Financial Statements”. IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, but earlier adoption is permitted and must be disclosed. IFRS 18 will apply retrospectively.

3. Adoption of new Standards and amendments thereto (continued)

IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations. There are specific presentation requirements and options for entities that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

IFRS 18 also requires disclosure of newly defined management performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information in the main financial statements and the notes to them.

The Bank is currently working to identify all impacts of the new or revised standards and amendments on its financial statements.

4) IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information".
5) IFRS S2 "Climate-related Disclosures".

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early adoption is permitted with the option of early adoption of amendments only for the classification of financial assets and related disclosures. Currently, the Bank does not intend to apply these amendments early. The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

4. Basis of presentation and summary of material accounting policy information

Statement of compliance. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB") and Interpretations issued by the IFRS Interpretations Committee (the "IFRS IC") and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996-XIV dated 16 July 1999, regarding the preparation of financial statements.

Presentation currency. These financial statements are presented Ukrainian Hryvnias ("UAH") and in thousands, unless otherwise indicated.

Going concern. Management has prepared these financial statements based on the assumption that the Bank is able to continue as a going concern for the foreseeable future despite the russian military invasion of Ukraine on 24 February 2022 resulting in a full-scale war across the territory of Ukraine.

4. Basis of presentation and summary of material accounting policy information (continued)

When preparing the financial statements for 2024, the Bank’s management assessed the Bank’s ability to continue its activities in the future, considering the ongoing military operations on the territory of Ukraine, which have already caused and continue to cause significant negative consequences, both for the country’s economy as a whole and for the Bank’s clients and the Bank.

The Bank’s management believes the expected credit losses allowance continues to be one of the significant factors of financial pressure on the Bank’s financial result, although significant number of defaults and significant amount of expected credit losses were recognized in 2022-2024. Following the iterative assessment of the actual and perspective borrowers’ payment discipline considering their business performance dynamic during war time, the Bank estimates expected credit losses allowances as at 31 December 2024, to be adequate given the current circumstances. According to the Bank’s management forecast for 2025 and 2026, the potential charges to expected credit losses allowance are not expected to lead to a breach in the NBU’s regulatory requirements regarding capital adequacy.

The Bank monitors liquidity ratios on a regular basis. In managing liquidity risk in response to the negative liquidity gap of UAH 3,078,631 thousand (gap for maturity up to 1 year) as at 31 December 2024, the Bank assesses stable balance of customer accounts determined with the help of statistical methods for analysing historical information about fluctuations in balances on current customer accounts. For the years ended 31 December 2024 and 2023, minimum balances of customer accounts were estimated in the amount not less than UAH 21,408,102 thousand and UAH 15,885,077 thousand, respectively. As at 31 December 2024 investments in securities with the maturity date more than one year included debt securities issued by Ukrainian and foreign government authorities, that are not collaterised, with fair value of UAH 3,037,603 thousand, which could be sold by the Bank before maturity in extreme cases to cover liquidity shortage.

According to the current assessment of the operational environment’s dynamic, the Bank’s projection (budget) for 2025 and 2026 was based on the following assumptions:

- No significant expansion of the territories where active military actions are ongoing is expected during planned horizon.
- The NBU key policy rate without significant fluctuations till the end of 2026.
- The forecasted exchange rate of UAH to USD at the level of 45.00 till the end of 2025 and at the level of 45.45 till the end of 2026.
- As at 31 December 2025 total assets and liabilities will be almost at the level of 31 December 2024 with changes in the structure in comparison to 31 December 2024, in particular, an increase in lending operations to legal entities. As at 31 December 2026 total assets and liabilities will increase by approximately UAH 2,500,000 thousand compared to the level as at 31 December 2025 without significant changes in the structure compared to 31 December 2025.

4. Basis of presentation and summary of material accounting policy information (continued)

- The interest rates on both assets and liabilities are kept at the level of December 2024.

- Net interest income will increase mainly due to the increase of the interest income on loans to customers.

- Net fee and commission income will decrease due to increase of fee and commission expenses.

- Employee benefits expense and general and administrative expenses will increase slightly above the forecasted inflation, which according to expert forecasts will be 7% in 2025 and 8% in 2026.

- The allowance for ECL is expected to continue to increase (taking into account the borrowers’ location, the economic sector they are engaged into, their current financial standing) due to the unresolved issues and difficulties that are present during the period of the military aggression of the russian federation.

The Bank has a long enough history of profitable activity, the successful experience of preventing losses during 2014-2015 crisis, successful experience of business transformation and risk management during COVID-19 pandemic and three-year’s experience in uninterrupted profitable activities in an unstable economy caused by military aggression and hostilities on the territory of Ukraine.

Based on the analysis of current and forecast performance indicators and estimated liquidity indicators, the Bank’s management believes there are appropriate grounds for preparation of these financial statements on a going concern basis.

These facts indicate that the Bank has adequate resources to continue in operational existence for the foreseeable future. However, due to the currently unpredictable effects of the ongoing war on the significant assumptions underlying management forecasts, management concludes that there is a material uncertainty, that may cast significant doubt on the Bank’s ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Basis of preparation. These financial statements have been prepared on the historical cost basis, except for certain financial instruments. The material accounting policy information is presented below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions with the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

4. Basis of presentation and summary of material accounting policy information (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if a change in any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets, or total liabilities. Fair value measurements are analyzed by levels in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and (iii) Level 3 measurements are valuations that are not based on observable market data (i.e. valuation require significant application of parameters with unobservable inputs).

Financial assets. All recognized financial assets that are within the scope of IFRS 9 “Financial Instruments” are required to be subsequently measured at amortized cost or fair value on the basis of the Bank’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are subsequently measured at amortized cost.
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI) upon initial recognition.

All other debt instruments (e.g., debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through profit or loss (FVTPL) after initial recognition.

Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Modifications in contractual cash flows are analyzed in accordance with the accounting policies set out below (“Modification and Derecognition of Financial Assets”).

Reclassification. If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Bank’s financial assets.

4. Basis of presentation and summary of material accounting policy information (continued)

Impairment. The Bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Balances with the National Bank of Ukraine;
- Loans and advances to banks;
- Loans and advances to customers;
- Investments in securities;
- Other financial assets;
- Loans commitments.

No impairment loss is recognized on equity investments.

The Bank estimates the expected credit losses on a financial instrument in the manner that reflects:

- An objective and probability-weighted amount determined by assessing a certain range of possible results;
- Time value of money; ;
- Reasonable and supportable information about past events, current conditions, and forward-looking information about economic conditions that is available without undue cost or effort as at the reporting date.

Expected credit losses are measured for separate loans (an individual basis) or loan portfolios with similar risk characteristics (a collective basis).

Expected credit losses represent an estimate of the present value of credit losses, with reference to probability of their occurrence. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset’s original effective interest rate.

The Bank measures ECLs on an individual basis based on the discounted cash flows using several probability-weighted scenarios.

The Bank considers several scenarios regarding the recovery of funds from a borrower under each financial asset and analyzes each of them, even when the recovery under that scenario is very low.

4. Basis of presentation and summary of material accounting policy information (continued)

Credit-impaired financial assets. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred, which are described in detail in Note 27 “Financial Risk Management”. Credit-impaired financial assets are referred to as Stage 3 assets.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings, and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower’s financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment, including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets. POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECLs since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain.

Definition of default. Critical to the determination of ECLs is the definition of default. The definition of default is used in measuring the amount of ECLs and in the determination of whether the loss allowance is based on 12-month or lifetime ECLs, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Key events that may evidence of default for a financial asset or a group of financial assets are described in detail in Note 27.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending.

4. Basis of presentation and summary of material accounting policy information (continued)

Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources.

Significant increase in credit risk. The Bank monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to the impairment to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECLs. The Bank’s accounting policy is not to use the practical expedient that financial assets with “low” credit risk at the reporting date are deemed not to have a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments, and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

The Bank uses a rebuttable presumption when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECLs.

Modification and derecognition of financial assets. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Bank renegotiates loans and advances to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank’s policy, a modification results in de-recognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty. The extent of change in interest rates, maturity, covenants is also analyzed.

4. Basis of presentation and summary of material accounting policy information (continued)

When modifying a financial asset, the Bank assesses whether the modification results in the derecognition of the asset. In accordance with the Bank's policy, a modification results in derecognition if it results in significant differences in the contractual terms. In order to determine whether the modified terms are significantly different from the original contractual terms, the Bank analyzes:

- Qualitative factors. For example, after a change in the terms, the cash flows provided for in the contract include not only payments on the principal amount of the debt and interest; the currency of the contract or the counterparty has changed. The extent of the change in maturities and covenants is also analyzed.

If these do not clearly indicate a significant modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10%, the Bank deems the arrangement is substantially different leading to de-recognition.

When the modification of a financial asset is related to the revision of the interest rate to the market level, and, at the same time, the contractual terms and conditions for this asset provide for a possibility of early repayment without significant penalties, such modifications will also lead to de-recognition of the financial asset (as if it had been independently repaid by the customer) and recognition of a new financial asset.

In the case where the financial asset is derecognized, the loss allowance for ECLs is re-measured at the date of de-recognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on de-recognition. The new financial asset will have a loss allowance measured based on 12-month ECLs except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in de-recognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition.

4. Basis of presentation and summary of material accounting policy information (continued)

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in de-recognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECLs.

The loss allowance on forborne loans will generally only be measured based on 12-month ECLs when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to de-recognition, the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then, the Bank measures ECLs for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash flows from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g., when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

4. Basis of presentation and summary of material accounting policy information (continued)

Write-off of assets. Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank’s enforcement activities will result in increase in impairment gains.

Presentation of allowance for ECLs in the statement of financial position. Loss allowances for ECLs are presented in the statement of financial position as follows: :

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- For debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve .
- For loan commitments and financial guarantee contracts: as a provision for financial liabilities.

Financial liabilities. Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities” .

Other financial liabilities. Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs .

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities. The Bank derecognizes financial liabilities when, and only when, the Bank’s obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. Basis of presentation and summary of material accounting policy information (continued)

In the normal course of business, the Bank enters into transactions with its related parties. IFRS 9 requires that initial recognition of financial instruments be based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party transactions are disclosed in Note 32.

<u>Derivative financial instruments.</u> he Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to credit risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate and currency swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain/loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

<u>Financial guarantee contracts.</u> A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

Cash and cash equivalents. Cash and cash equivalents are assets which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include correspondent accounts with other banks and balances with the National Bank of Ukraine, other than the amount of mandatory reserves. Cash and cash equivalents are carried at amortized cost.

Loans and advances to banks. Loans and advances to banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. These accounts receivable are not related to derivative financial instruments and have no market quotations. Loans and advances to banks are carried at amortized cost.

4. Basis of presentation and summary of material accounting policy information (continued)

Loans and advances to customers. Loans and advances to customers are initially measured at fair value or the equivalent amount, which is commonly net amount of the cash granted, including directly attributable costs and certain payments and fees for loan arrangement (commissions for loan arrangements, fees for loan commitments, and payments for services) that are treated as adjustment of the effective interest rate on a loan.

Loans and advances to customers are classified by the Bank on the basis of a business model and characteristics of contractual cash flows. As at the reporting date, loans and advances to customers are carried at amortized cost. Revenue from a loan, which represents interest, plus transaction costs and payments and fees included in the initial cost of the loan, is calculated by using the effective interest rate method and included in profit or loss over the period of the loan.

Investments in securities. This item includes investment securities that are classified by the Bank on the basis of a business model and characteristics of contractual cash flows. As at the end of the reporting period, the Bank included in that item the debt securities issued by foreign governments, government debt securities of Ukraine at fair value through other comprehensive income, and deposit certificates of the National Bank of Ukraine measured at amortized cost.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and allowance for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalized, and the replaced part is written-off. At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value, less costs to sell, and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year. 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.

Gains and losses on assets disposals determined by comparing proceeds with carrying amount are recognized in profit or loss for the year within other operating income or expense.

Depreciation. Construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Service life (in years)
Premises	20
Vehicles	5
Office and computer equipment	2-5
Leasehold improvements	1-3

4. Basis of presentation and summary of material accounting policy information (continued)

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset, less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets other than goodwill. The Bank's intangible assets have definite useful lives and primarily include capitalized computer software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalized costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g., its maintenance, are expensed when incurred. Capitalized computer software is amortized on a straight-line basis over expected useful lives of 2-10 years.

Right-of-use assets are assets representing a lessee's right to use an underlying asset during the lease term. .

At the commencement date, the Bank measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the lessee; and (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Bank incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the Bank measures the right-of-use asset by applying a cost model, less any accumulated depreciation and any accumulated impairment losses, adjusted for any re-measurement of the lease liability. The Bank depreciates the right-of-use assets on a straight-line basis, with depreciation charges included other administrative and operational expense. Depreciation period corresponds to a term of the lease liability.

Lease liabilities. At the commencement date, the Bank measures the lease liability at the present value of lease payments that are not paid at that date. The Bank discounts the lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate.

The Bank records lease liabilities separately in the statement of financial position, with interest on the lease liabilities recognized in interest income in the statement of comprehensive income, profit or loss.

4. Basis of presentation and summary of material accounting policy information (continued)

Lease term is a non-cancellable period during which the Bank has the right to use an underlying asset, together with both: (a) periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

Changes in payments that are not lease modifications represent a change in the lease amount or lease compensation that was part of the original terms and conditions of the lease (e.g., event-based lease discounts). Such changes are not a result of modification of the lease agreement and are accounted for as variable lease payments, the effect of which is recognized in the statement of comprehensive income, profit or loss.

The lessee’s incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Repossessed collateral by the Bank. The Bank recognizes as part of such property non-current assets that it has acquired through the exercise of its pledgee rights and holds for subsequent sale. Such assets do not meet the criteria for recognition as assets held for sale and cannot be recognized as non-current assets for use in current operations. These assets are measured at cost less impairment.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. Due to other banks is a non-derivative financial liability carried at amortized cost.

Customer account. Customer accounts are non-derivative financial liabilities to individuals, public or corporate customers and are carried at amortized cost.

Other borrowed funds. Other borrowed funds include borrowings from banking and non-banking financial institutions. Other borrowed funds are stated at amortized cost.

Subordinated debt. Subordinated debt represents long-term borrowing agreements that, in case of the Bank’s default, would be secondary to the Bank’s primary debt obligations. Subordinated debt is carried at amortized cost.

4. Basis of presentation and summary of material accounting policy information (continued)

Tax expense (tax income). These financial statements reflect the tax issues in accordance with the legislation enacted or substantively enacted by the end of the reporting period. The income tax charge or credit comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Taxable profits or losses are based on estimates if the financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within other administrative and operational expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Issued capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds (result from transactions with the shareholder).

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorized for issue are disclosed in Note 33 “Events after the Reporting Period”. Distribution of profit and its usage otherwise occurs on the basis of the financial statements of the Bank. The Ukrainian legislation identifies the basis of distribution as retained earnings.

(in thousands of hryvnias)

4. Basis of presentation and summary of material accounting policy information (continued)

Commission income/expense. Commission income and expense include fees, other than those that are an integral part of EIR. The fees included in the respective part of the Bank’s statement of comprehensive income, profit or loss include, among other things, fees charged for servicing loans, non-utilization commissions relating to loan commitments when it is unlikely that those will result in a specific lending arrangement, fees for monitoring a collateral, for changing primary lending terms and conditions on the borrower’s initiative, etc.

Refunds of amounts from transactions made using electronic payment instruments and payments of rewards under loyalty programmes to current accounts of customers are made on an accrual basis. These expenses reduce commission income in the statement of comprehensive income, profit or loss.

Commission expenses with regards to services are accounted for as the services are received.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The functional currency of the Bank and the Bank’s presentation currency is the national currency of Ukraine, Ukrainian Hryvnia (“UAH”).

Monetary assets and liabilities are translated into the Bank’s functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Bank’s functional currency at year-end official exchange rates of the NBU, are recognized in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

As at 31 December 2024 and 2023, major exchange rates established by the NBU that the Bank used in translating foreign currency denominated amounts were as follows:

	31 December 2024	31 December 2023
UAH/USD 1	42.0390	37.9824
UAH/EUR 1	43.9266	42.2079

4. Basis of presentation and summary of material accounting policy information (continued)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default, and (iii) the event of insolvency or bankruptcy.

Employee benefit expense. Wages, salaries, contributions to the Ukrainian state pension and social insurance funds, paid annual leaves and sick leaves, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment information. For the purposes of management, the Bank has not identified separate segments (business lines), results of operations are assessed based on the financial information used to prepare the Bank's financial statements..

During 2024, the Bank received income from operations with the State on the purchase of domestic government bonds, which amounted to more than 10% of total income of the Bank, as follows: UAH 506,230 thousand (2023: UAH 251,451 thousand).

During 2024, the Bank received income from operations with the NBU related to the purchase of NBU deposit certificates in the amount of UAH 886,218 thousand, which is more than 10% of the total income of the Bank (2023: UAH 1,024,202 thousand).

Geographical information. The major part of the Bank's income is generated in Ukraine. The Bank has no significant income from outside Ukraine. The Bank has no non-current assets located outside Ukraine. Analysis of assets and liabilities by geographical concentration is presented in Note 27.

5. Significant accounting estimates and judgments used in applying accounting policies

The Bank makes estimates and judgments that affect the amounts recognized in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are consistently reviewed and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(in thousands of hryvnias)

5. Significant accounting estimates and judgments used in applying accounting policies (continued)

Significant increase in credit risk. As explained in Note 4 to these financial statements, ECLs are measured as an allowance equal to 12-month ECLs for Stage 1 assets, or lifetime ECLs assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward looking-information. Refer to Note 27 for more details.

Determination of default. As explained in Note 4, an asset moves to Stage 3 when there are signs and events of default. The Bank uses one sign or a certain combination of them together with its own professional judgment when determining default, depending on the available qualitative and quantitative information, characteristics of borrowers, their assets, etc. Refer to Note 27 for more details.

Models and assumptions used used to estimate expected credit losses on financial assets and fair value of financial instruments. The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECLs. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. More detailed information on fair value measurement is provided in Note 31, and information on ECL is provided in Note 27.

Sources of estimation uncertainty. Listed below were the main estimates used by management in applying the accounting policies of the Bank and which have the most significant effect on the amounts recognised in the financial statements and relate to the following items:

	31 December 2024	31 December 2023
Loans and advances to customers	10,389,110	8,243,854
including allowance for expected credit losses	*(1,454,296)*	*(1,234,121)*
Investments in securities	15,940,038	11,746,019

(in thousands of hryvnias)

5. Significant accounting estimates and judgments used in applying accounting policies (continued)

Determining and estimating scenarios of expected cash flows and their probabilities on loans and advances to customers measured on an individual basis. In estimating the degree of credit losses on loans and advances to customers measured on an individual basis, the Bank uses significant judgments of management to determine the expected future cash flows on the basis of probable scenarios. The Bank considers several scenarios in respect of the recovery of funds from borrowers and takes into account each of the scenarios, with reference to their relative probabilities. In analyzing future cash flows, all information is taken into account available at the moment of allowance calculation, both internal and external, that is based on open sources, as well as assumptions and projections. The Bank determines the probability for exercising each scenario for the financial instruments measured on an individual basis, with reference to the information available in respect of borrowers and their financial positions, current and forward-looking macroeconomic conditions, as well as considering the Bank’s experience, based on judgments and reasonable assumptions. The Bank uses all available and accessible information obtained without excessive efforts that may have an effect on probability of one or several scenarios.

Probability of default (PD). PD constitutes a key input in measuring ECLs. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

Loss given default (LGD). LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

Information on credit risk management is provided in Note 27.

Fair value measurement. In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Bank uses valuation models to determine the fair value of its financial instruments. Information on fair value measurements is provided in Note 31.

Reclassifications. The Bank revised the presentation of information in these financial statements and made corresponding changes to comparative figures to align them with the new presentation format, as shown in the table below:

	For 12 months of 2023	Effect of the change in presentation	For 12 months of 2023 (including the effect of the change in presentation)
Statement of comprehensive income, profit or loss			
Commission income	1,264,842	(24,166)	1,240,676
Other administrative and operating expenses	(706,076)	24,166	(681,910)

(in thousands of hryvnias)

6. Cash and cash equivalents

The Bank’s cash and cash equivalents for the purposes of the statement of cash flows were as follows:

	31 December 2024	31 December 2023
Cash	1,187,600	826,510
Correspondent account with the NBU	1,279,372	2,713,480
Correspondent accounts with other banks	1,600,838	2,959,929
Accounts with other payment systems (B2B Connect)	25,080	32,082
Total cash and cash equivalents	4,092,890	6,532,001

As at 31 December 2024 and 2023, cash on correspondent account with the NBU was neither past due not impaired and was classified in Stage 1 of allowance for expected credit losses and corresponded to the credit ratings of CCC+.

Analysis by credit quality of correspondent account balances with other banks as at 31 December 2024 and 2023 was as follows:

	31 December 2024	31 December 2023
Stage 1		
A- to AA+ rated	1,511,037	2,845,555
BB- to BB+ rated	–	82,611
CCC rated or below	90,398	35,628
Total Stage 1	1,601,435	2,963,794
Allowance for expected credit losses (Stage 1)	(597)	(3,865)
Total correspondent accounts with other banks	1,600,838	2,959,929

As at 31 December 2024 and 2023, accounts with other payment systems in the amount of UAH 25,080 thousand and UAH 32,082 thousand, respectively, are neither past due nor impaired and are classified to Stage 1 of allowance for expected credit losses and correspond to credit rating of AA-.

(in thousands of hryvnias)

6. Cash and cash equivalents (continued)

Credit ratings for correspondent accounts with other banks, correspondent accounts with the NBU, and accounts with other payment systems are based on ratings of the international rating agency Standard & Poor’s, where available, or on ratings of the international rating agencies Fitch and Moody’s, converted to the nearest equivalent on the Standard & Poor’s rating scale.

As at 31 December 2024 and 2023, the total balance on correspondent accounts with other banks, before allowance, on accounts with five counterparty banks amounted to UAH 1,564,051 thousand and UAH 2,954,787 thousand, which represented 97.67% and 99.7% of the balances on correspondent accounts, respectively.

7. Loans and advances to banks

	31 December 2024	31 December 2023
Term deposits with other banks	2,675,370	986,455
Allowance for expected credit losses	(1,337)	(1,024)
Total loans and advances to banks	2,674,033	985,431

As at 31 December 2024, term deposits with other banks included guarantee collateral placed by the Bank with Ukrainian and foreign banks in the amount of UAH 482,282 thousand (as at 31 December 2023: UAH 336,524 thousand). The Bank has no right to use those funds to finance its day-to-day operations or return them on the first demand.

(in thousands of hryvnias)

7. Loans and advances to banks (continued)

Analysis by credit quality of loans and advances to banks as at 31 December 2024 and 2023 was as follows:

	31 December 2024	31 December 2023
Stage 1		
A- to AA rated	2,674,270	984,834
BB- to BB rated	–	126
CCC- to CCC rated	720	680
Unrated	380	380
Total Stage 1	2,675,370	986,020
Allowance for expected credit losses (Stage 1)	(1,337)	(589)
Stage 3		
CCC rated or below	432	435
Total Stage 3	432	435
Allowance for expected credit losses (Stage 3)	(432)	(435)
Total allowance for expected credit losses on loans and advances to banks	(1,769)	(1,024)
Total loans and advances to banks	2,674,033	985,431

Credit ratings for loans and advances to banks are based on ratings of the international rating agency Standard & Poor’s, where available, or on ratings from international rating agencies Fitch and Moody’s, converted to the nearest equivalent on the Standard & Poor’s rating scale.

As at 31 December 2024 and 2023, the balance of loans and advances to banks, before allowance, in accounts with five counterparty banks amounted to UAH 2,455,074 thousand and UAH 985,513 thousand, which represented 91.77% and 99.9% of the gross value of loans and advances to banks, respectively.

Analysis of loans and advances to banks by geographical concentration risk, currency risk, and liquidity risk is presented in Note 27.

(in thousands of hryvnias)

8. Loans and advances to customers

Loans and advances to customers were as follows:

	31 December 2024	31 December 2023
Loans to legal entities	11,560,096	9,304,755
Loans to individuals	283,310	173,220
Total loans and advances to customers before allowance for expected credit losses	11,843,406	9,477,975
Allowance for expected credit losses	(1,454,296)	(1,234,121)
Total loans and advances to customers	10,389,110	8,243,854

Movements in allowance for expected credit losses on loans and advances to customers for the year 2024 were as follows:

	Loans to legal entities	Loans to individuals	Total
Allowance for expected credit losses as at 31 December 2023	1,200,921	33,200	1,234,121
Allowance/(decrease in allowance) for expected credit losses during the year	165,859	1,503	167,362
Adjustment of allowance on derecognition	59,319	–	59,319
Loans sold/written off during the year	(78,458)	(470)	(78,928)
Interest adjustment	72,422	–	72,422
Allowance for expected credit losses as at 31 December 2024	1,420,063	34,233	1,454,296

(in thousands of hryvnias)

8. Loans and advances to customers (continued)

Movements in allowance for expected credit losses on loans and advances to customers for the year 2023 were as follows:

	Loans to legal entities	Loans to individuals	Total
Allowance for expected credit losses as at 31 December 2022	940,238	23,713	963,951
Allowance/(decrease in allowance) for expected credit losses during the year	327,177	10,391	337,568
Adjustment of allowance on derecognition	(69,988)	–	(69,988)
Loans sold/written off during the year	(37,110)	(904)	(38,014)
Adjustment of interest	40,604	–	40,604
Allowance for expected credit losses as at 31 December 2023	1,200,921	33,200	1,234,121

Risk concentrations within the customer loan portfolio by sectors of economy were as follows:

	31 December 2024		31 December 2023	
	Amount	%	Amount	%
Trade	4,942,352	42	4,082,191	43
Agriculture, fishing, and food processing	2,693,055	23	2,111,125	22
Manufacturing	2,054,863	17	1,773,615	19
Transportation and communications	1,204,382	10	646,210	7
Construction and real estate operations	252,673	2	167,188	2
Loans to individuals	283,309	2	173,220	2
Other services	412,772	4	524,426	5
Total loans and advances to customers (before allowance for expected credit losses)	11,843,406	100	9,477,975	100

As at 31 December 2024, the total gross value of loans issued to 10 largest borrowers of the Bank amounted to UAH 2,470,817 thousand (as at 31 December 2023: UAH 2,251,494 thousand), or 21% of the total loan portfolio (as at 31 December 2023: 24%). At the same time, as at 31 December 2024, the amount of loans to 10 largest borrowers of the Bank was partially covered by collateral of property rights to deposits in the amount of UAH 90,000 thousand (as at 31 December 2023 – UAH 90,000 thousand).

(in thousands of hryvnias)

8. Loans and advances to customers (continued)

The table below reflects the proportionate amount of collateralized loans and advances to customers and not the fair value of the collateral as at 31 December 2024:

	Loans to legal entities	Loans to individuals	Total
Unsecured loans	3,372,538	260,238	3,632,776
Loans collateralized by:			
- Residential real estate items	274,370	8,310	282,680
- Other real estate items	3,410,424	14,586	3,425,010
- Cash deposits	423,216	176	423,392
- Guarantees of the Cabinet of Ministers of Ukraine	392,060	–	392,060
- Other assets	3,687,488	–	3,687,488
Total loans and advances to customers (before allowance for expected credit losses)	11,560,096	283,310	11,843,406

Items in the tables above are represented by the lower of the gross carrying value of loans, before allowance for expected credit losses, or collateral taken; with the remaining part disclosed within unsecured loans. The carrying value of loans was allocated based on the liquidity of assets taken as collateral in the following order: cash deposits, residential real estate, other real estate, other assets.

As at 31 December 2024, loans and advances to customers with the total amount of UAH 423,392 thousand (as at 31 December 2023: UAH 526,880 thousand) were secured by cash deposits (Note 14) for the total amount of UAH 465,362 thousand (as at 31 December 2023: UAH 579,195 thousand).

As at 31 December 2024, impaired loans and purchased or credit-impaired loans with a gross carrying value of UAH 1,517,338 thousand (as at 31 December 2023: UAH 1,263,751 thousand) were secured by the collateral represented mostly by real estate and other assets in the amount of UAH 1,143,226 thousand (as at 31 December 2023: UAH 1,062,280 thousand) or 75% (as at 31 December 2023: 84%).

Fair value of real estate pledged as collateral during the reporting period was calculated by independent experts – professional appraisers. The category "Other assets" includes the following types of collateral: other movable property, other property rights, and other types of assets.

(in thousands of hryvnias)

8. Loans and advances to customers (continued)

The following table summarizes the proportionate amount of collateralized loans and advances to customers as at 31 December 2023:

	Loans to legal entities	Loans to individuals	Total
Unsecured loans	2,797,976	138,198	2,936,174
Loans secured by:			
- Residential real estate items	220,695	8,777	229,472
- Other real estate items	2,825,470	25,741	2,851,211
- Cash deposits	526,844	36	526,880
- Guarantees of the Cabinet of Ministers of Ukraine	425,296	–	425,296
- Other assets	2,508,474	468	2,508,942
Total loans and advances to customers (before allowance for expected credit losses)	9,304,755	173,220	9,477,975

(in thousands of hryvnias)

8. Loans and advances to customers (continued)

Analysis of loans and advances to customers by credit quality as at 31 December 2024 was as follows:

	Loans to legal entities	Loans to individuals	Total
Stage 1			
- Not past due	8,363,835	247,527	8,611,362
- Past due less than 30 days	6,561	311	6,872
Total Stage 1	8,370,396	247,838	8,618,234
Stage 2, loans with a significantly increased credit risk			
- Not past due	1,700,138	161	1,700,299
- Past due less than 30 days	–	25	25
- Past due from 31 to 90 days	–	7,510	7,510
Total Stage 2, loans with a significant increase in credit risk	1,700,138	7,696	1,707,834
Stage 3, impaired loans			
- Not past due	703,776	807	704,583
- Past due less than 30 days	54,487	2	54,489
- Past due from 31 to 90 days	2,389	453	2,842
- Past due from 91 to 180 days	30,798	4,889	35,687
- Past due from 181 to 360 days	8,602	6,205	14,807
- Past due more than 360 days	579,970	15,420	595,390
Total Stage 3, impaired loans	1,380,022	27,776	1,407,798
Purchased or originated credit impaired loans			
- Not past due	4,030	–	4,030
- Past due less than 30 days	50,256	–	50,256
- Past due from 31 to 90 days	1,539	–	1,539
- Past due from 91 to 180 days	387	–	387
- Past due from 181 to 360 days	53,328	–	53,328
Total purchased or originated credit impaired loans	109,540	–	109,540
Total loans and advances to customers (before allowance for expected credit losses)	11,560,096	283,310	11,843,406
Allowance for expected credit losses	(1,420,063)	(34,233)	(1,454,296)
Total loans and advances to customers	10,140,033	249,077	10,389,110

(in thousands of hryvnias)

8.Loans and advances to customers (continued)

Analysis of loans and advances to customers by credit quality as at 31 December 2023 was as follows:

	Loans to legal entities	Loans to individuals	Total
Stage 1			
- Not past due	6,460,508	130,600	6,591,108
- Past due less than 30 days	4,967	133	5,100
Total Stage 1	6,465,475	130,733	6,596,208
Stage 2, loans with a significantly increased credit risk			
- Not past due	1,602,811	8	1,602,819
- Past due less than 30 days	3,600	–	3,600
- Past due from 31 to 90 days	8,384	3,214	11,598
Total Stage 2, loans with a significant increase in credit risk	1,614,795	3,222	1,618,017
Stage 3, impaired loans			
- Not past due	417,025	638	417,663
- Past due less than 30 days	20,237	–	20,237
- Past due from 31 to 90 days	26,057	157	26,214
- Past due from 91 to 180 days	73,198	2,544	75,742
- Past due from 181 to 360 days	167,480	3,492	170,972
- Past due more than 360 days	418,121	32,434	450,555
Total Stage 3, impaired loans	1,122,118	39,265	1,161,383
Purchased or originated credit impaired loans			
- Not past due	55,554	–	55,554
- Past due from 181 to 360 days	45,664	–	45,664
- Past due more than 360 days	1,149	–	1,149
Total purchased or originated credit impaired loans	102,367	–	102,367
Total loans and advances to customers (before allowance for expected credit losses)	9,304,755	173,220	9,477,975
Allowance for expected credit losses	(1,200,921)	(33,200)	(1,234,121)
Total loans and advances to customers	8,103,834	140,020	8,243,854

(in thousands of hryvnias)

8. Loans and advances to customers (continued)

As at 31 December 2024, loans and advances to customers with a gross carrying value of UAH 466,249 thousand (as at 31 December 2023: UAH 524,872 thousand) were pledged as a collateral to secure for the borrowings obtained from WORLDBUSINESS CAPITAL, INC. USA (Notes 16, 29).

Other information on loans and advances to customers (a detailed analysis of movements in allowances for expected credit losses and their allocation by impairment stage) is presented in Note 27.

Analysis of loans and advances to customers by interest rate risk, geographical concentration risk, currency risk, and liquidity risk is presented in Note 27. Balances on related parties transactions are presented in Note 32.

9. Investments in securities

Investments in securities were as follows:

	31 December 2024	31 December 2023
Investments in securities at fair value through other comprehensive income		
Government debt securities of Ukraine	4,813,273	2,575,244
Debt securities issued by foreign governments	336,789	448,544
Debt securities issued by international financial organizations	–	247,005
Total investments in securities at fair value through other comprehensive income	5,150,062	3,270,793
Investments in securities at amortized cost		
Deposit certificates of the NBU	10,789,577	8,475,226
Debt securities issued by non-bank financial institutions (corporate)	399	–
Total investments in securities at amortized cost	10,789,976	8,475,226
Total investments in securities	15,940,038	11,746,019

As at 31 December 2024, the Bank has formed an allowance for expected credit losses on investments in securities at fair value through other comprehensive income in the amount of UAH 222,962 thousand (as at 31 December 2023: UAH 123,199 thousand) and on investments in securities at amortized cost – UAH 106 thousand (as at 31 December 2023: there was no allowance).

(in thousands of hryvnias)

9. Investments in securities (continued)

Analysis of investments in securities by credit quality as at 31 December 2024 was as follows:

	Government debt securities of Ukraine	Debt securities issued by foreign governments	Debt securities issued by non-bank financial institutions (corporate)	Deposit certificates of the NBU	Total
Stage 1					
A- to AA rated	–	142,188	–	–	142,188
BB- to BBB+ rated	–	194,601	–	–	194,601
C to CCC+ rated	4,680,594	–	399	10,789,577	15,470,570
Stage 2					
C to CCC+ rated	132,679	–	–	–	132,697
Total investments in securities	4,813,273	336,789	399	10,789,577	15,940,038

Analysis of investments in securities by credit quality as at 31 December 2023 was as follows:

	Domestic government bonds	Foreign government bonds	Debt securities issued by non-bank financial institutions (corporate)	Deposit certificates of the NBU	Total
Stage 1					
A- to AA rated	–	257,934	247,005	–	504,939
BBB- to BBB+ rated	–	190,610	–	–	190,610
C to CCC+ rated	2,350,331	–	–	8,475,226	10,825,557
Stage 2					
C to CCC+ rated	224,913	–	–	–	224,913
Total investments in securities	2,575,244	448,544	247,005	8,475,226	11,746,019

Investments in securities were unsecured.

Credit ratings are based on ratings of the international rating agency Standard & Poor's, where available, or based on ratings of the international rating agencies Fitch and Moody's converted to the nearest equivalent on the Standard & Poor's rating scale.

Analysis of investments in securities by interest rate risk, geographical concentration risk, currency risk, and liquidity risk is presented in Note 27. Information on the fair value of investments in securities is disclosed in Note 31.

(in thousands of hryvnias)

10. Property, plant and equipment and intangible assets other than goodwill

	Leasehold improve-ments	Vehicles	Office and computer equipment	Construc-tion in progress	Total property, plant and equipment	Intangible assets, excluding goodwill	Capital investment in progress in intangible assets	Total intangible assets other than goodwill
Initial cost as at 1 January 2023	41,764	29,401	316,300	2,397	389,862	99,479	10,012	109,491
Accumulated depreciation and amortization	(39,152)	(22,948)	(262,102)	–	(324,202)	(68,501)	–	(68,501)
Net book value as at 1 January 2023	2,612	6,453	54,198	2,397	65,660	30,978	10,012	40,990
Additions	14,506	833	42,178	293	57,810	14,618	–	14,618
Disposals	(475)	(111)	(467)	–	(1,053)	–	(2,238)	(2,238)
Depreciation and amortization expense	(3,680)	(3,007)	(47,480)	–	(54,167)	(16,679)	–	(16,679)
Net book value as at 31 December 2023	12,963	4,168	48,429	2,690	68,250	28,917	7,774	36,691
Initial cost as at 31 December 2023	50,388	29,430	352,587	2,690	435,095	114,097	7,774	121,871
Accumulated depreciation and amortization	(37,425)	(25,262)	(304,158)	–	(366,845)	(85,180)	–	(85,180)
Net book value as at 31 December 2023	12,963	4,168	48,429	2,690	68,250	28,917	7,774	36,691
Additions	18,558	189	57,487	1,473	77,707	26,472	–	26,472
Disposals/write-offs	–	–	(53)	–	(53)	–	–	–
Reversal of impairment	574	–	428	–	1,002	–	–	–
Depreciation and amortization expense	(8,316)	(2,472)	(50,179)	–	(60,967)	(15,796)	–	(15,796)
Net book value as at 31 December 2024	23,779	1,885	56,112	4,163	85,939	39,593	7,774	47,367
Initial cost as at 31 December 2024	68,946	27,458	400,266	4,163	500,833	136,685	7,774	144,459
Accumulated depreciation and amortization	(45,167)	(25,573)	(344,154)	–	(414,894)	(97,092)	–	(97,092)
Net book value as at 31 December 2024	23,779	1,885	56,112	4,163	85,939	39,593	7,774	47,367

As at 31 December 2024, the amount of fully depreciated and amortized assets that continued to be used by the Bank amounted to UAH 382,195 thousand (as at 31 December 2023: UAH 306,944 thousand).

In 2024, the Bank recognized the reversal of impairment losses on property, plant and equipment located in Kherson.

(in thousands of hryvnias)

11. Right-of-use assets and lease liabilities

Right-of-use assets comprised the following:

	Equipment	Buildings and other real estate	Motor vehicles	Total
Initial cost as of 1 January 2024	385	306,389	1,316	308,090
Accumulated depreciation as of 1 January 2024	(30)	(260,991)	(1,186)	(261,877)
Additions	–	884	26	910
Modifications	376	77,147	257	77,780
Disposals	–	(1,286)	(102)	(1,388)
Depreciation charges	(355)	(49,904)	(151)	(50,410)
Net book value as at 31 December 2024	376	72,569	160	73,105

	Equipment	Buildings and other real estate	Motor vehicles	Total
Initial cost as at 1 January 2023	–	283,764	1,188	284,952
Accumulated depreciation as at 1 January 2023	–	(205,794)	(995)	(206,789)
Additions	385	9,379	39	9,803
Modifications	–	73,919	252	74,171
Disposals	–	(60,673)	(163)	(60,836)
Depreciation charges	(30)	(54,867)	(191)	(55,088)
Net book value as at 31 December 2023	355	45,728	130	46,213

As at 31 December 2024 and 2023, the average lease term for the Bank's premises amounted to 3 years, without a possibility to extend the lease. The Bank has no possibility to repurchase leased items at the nominal value at the end of the lease term.

(in thousands of hryvnias)

11. Right-of-use assets and lease liabilities (continued)

The following lease liabilities were recognized in the statement of comprehensive income, profit or loss:

	12 months of 2024	12 months of 2023
Depreciation and amortization expenses on right-of-use assets	(50,410)	(55,088)
Interest expenses on lease liabilities	(30,288)	(22,279)
Expense related to leases of low-value underlying assets and short-term leases	(33,421)	(22,476)
Expenses on a variable portion of lease payments	(1,352)	(904)
Income on discounts received on lease payments (a variable portion)	6,252	17,125
Income on rentals	31,840	21,096
Income on revaluation/ derecognition of assets	258	644
Total effect on financial result	(77,121)	(61,882)

Movements of lease liabilities were as follows:

	2024	2023
Lease liabilities as at January 1	46,387	79,530
Increase in lease liabilities	77,226	24,903
Interest accrued (Note 18)	30,288	22,279
Decrease in lease liabilities as a result of discounts received and lease modifications (Note 23)	(6,252)	(17,125)
Lease liabilities repaid (Note 18)	(66,725)	(63,200)
Lease liabilities as at December 31	80,924	46,387

Lease liabilities based on maturities presented in Note 27.

(in thousands of hryvnias)

12. Other financial and non-financial assets

	31 December 2024	31 December 2023
Other financial assets		
Restricted cash	503,456	433,837
Other financial assets	34,605	31,197
Total other financial assets before allowance for expected credit losses	538,061	465,034
Allowance for expected credit losses	(12,218)	(18,071)
Total other financial assets	525,843	446,963
Other non-financial assets		
Deferred expenses	50,310	54,934
Repossessed collateral by the Bank	33,865	644
Accounts receivable on assets and services purchased	5,089	11,903
Inventories	7,945	8,594
Taxes prepaid, other than income tax	947	964
Total other non-financial assets	98,156	77,039
Total other financial and non-financial assets	623,999	524,002

As at 31 December 2024, restricted cash comprised the guarantee cover placed by the Bank within international payment systems of Visa and Master Card in the amount of UAH 493,355 thousand and cash cover on payment settlements in the amount of UAH 10,101 thousand (as at 31 December 2023: guarantee cover placed by the Bank within international payment systems of Visa and Master Card in the amount of UAH 426,921 thousand and cash cover on payment settlements in the amount of UAH 6,916 thousand, respectively). This cash is neither available to finance the Bank’s day-to-day operations nor returnable on demand.

(in thousands of hryvnias)

12. Other financial and non-financial assets (continued)

Analysis of other financial assets by credit quality as at 31 December 2024 and 2023 was as follows :

	31 December 2024	31 December 2023
Restricted cash		
Stage 2		
A- to AA+ rated	493,355	426,921
Unrated	10,101	6,916
Total restricted cash	503,456	433,837
Allowance for expected credit losses on restricted cash	(627)	(444)
Other financial assets		
Stage 1		
- Not past due	16,186	–
Stage 2		
- Not past due	6,911	13,552
- Past due less than 30 days	4	105
Stage 3		
- Past due from 31 to 60 days	112	287
- Past due from 61 to 90 days	117	388
- Past due from 91 to 180 days	377	2,518
- Past due from 181 to 360 days	751	292
- Past due more than 361 days	10,147	14,055
Total other financial assets	34,605	31,197
Allowance for expected credit losses on other financial assets	(11,591)	(17,627)
Total other financial assets	525,843	446,963

Analysis of other financial assets by geographical concentration risk, currency risk, and liquidity risk is presented in Note 27.

(in thousands of hryvnias)

13. Due to other banks

	31 December 2024	31 December 2023
Correspondent accounts and overnight deposits of banks	79,333	382,436
Total amount owed by banks	79,333	382,436

As at 31 December 2024, the largest amount of debt on correspondent accounts and overnight deposits of banks related to a non-resident bank and amounted to UAH 54,222 thousand, which represented 68% of total correspondent accounts and overnight deposits of banks (as at 31 December 2023: UAH 232,676 thousand, which represented 61% of the total correspondent accounts and overnight deposits of banks).

Analysis of due to other banks by geographical concentration risk, currency risk, and liquidity risk is presented in Note 27. Balances on related party transactions are disclosed in Note 32.

14. Customer accounts

	31 December 2024	31 December 2023
Current accounts		
- Current accounts of legal entities	21,525,052	16,934,514
- Current accounts of individuals	4,416,968	3,499,206
Total current accounts	25,942,021	20,433,720
Deposits		
- Deposits of legal entities	2,418,241	2,423,931
- Deposits of individuals	2,149,995	1,995,794
Total deposits	4,568,236	4,419,725
Total customer accounts	30,510,257	24,853,445

(in thousands of hryvnias)

14. Customer accounts (continued)

As at 31 December 2024, included in current account balances were demand deposits totaling to UAH 16,304 thousand (as at 31 December 2023: UAH 8,449 thousand), of which UAH 1,304 thousand related to individuals (as at 31 December 2023: UAH 1,252 thousand), UAH 15,000 thousand – to legal entities (as at 31 December 2023: UAH 7,197 thousand). As at 31 December 2024, those deposits earned interest at the rates ranging from 0.1% to 4.0% p.a. (as at 31 December 2023: from 0.1% to 13% p.a.), depending on the remaining balance of the account and currency.

As at 31 December 2024, the total amount of funds of the Bank's top 10 customers on current accounts amounted to UAH 6,680,270 thousand, or 26% (as at 31 December 2023: UAH 5,754,738 thousand, or 28%) of total current accounts.

As at 31 December 2024, the total amount of funds of the Bank's top 10 customers on deposits amounted to UAH 1,466,033 thousand, or 32% (as at 31 December 2023: UAH 1,635,208 thousand, or 37%) of total deposits.

As at 31 December 2024, included in customer accounts were deposits in the amount of UAH 465,362 thousand placed by customers as collateral to secure for loans and advances to customers in the amount of UAH 423,392 thousand (Note 8) (as at 31 December 2023: UAH 579,195 thousand, placed by customers as collateral to secure for loans and advances to customers in the amount of UAH 526,880 thousand).

As at 31 December 2024, included in customer accounts were balances totaling to UAH 255,166 thousand (as at 31 December 2023: UAH 133,868 thousand) placed by customers as collateral to secure for loan commitment (Note 29).

Current accounts allocated by economic sectors were as follows:

	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Trade	6,431,406	25	5,134,931	25
Transport, telecommunications	5,778,118	22	4,377,532	22
Individuals	4,416,968	17	3,499,206	17
Processing industry	3,792,153	15	1,434,830	7
Electricity and water supply	1,337,214	5	960,691	5
Financial intermediaries	1,129,276	4	1,031,993	5
Construction	764,037	3	707,689	3
Professional services	726,969	3	502,116	2
Health and social work	611,703	2	380,892	2
Agriculture	395,013	2	250,733	1
Temporary accommodation and catering	279,890	1	1,659,198	8
Other	279,274	1	493,909	3
Total current accounts	25,942,021	100	20,433,720	100

(in thousands of hryvnias)

14. Customer accounts (continued)

Deposits allocated by economic sectors were as follows:

	31 December 2024		31 December 2023	
	Amount	%	Amount	%
Individuals	2,149,995	47	1,995,794	45
Trade	752,004	17	1,028,037	23
Processing industry	596,430	13	447,609	10
Transport, telecommunications	577,141	12	424,847	10
Agriculture	209,215	5	–	–
Financial intermediaries	162,366	3	239,019	5
Professional services	67,068	1	136,630	3
Construction	27,404	1	22,427	1
Other	26,613	1	75,327	2
Total deposits	4,568,236	100	4,419,725	100

Analysis of customer accounts by geographical concentration risk, currency risk, and liquidity risk is presented in Note 27. Balances on related party transactions are disclosed in Note 32.

15. Other financial and non-financial liabilities

	31 December 2024	31 December 2023
Other financial liabilities		
Settlements with customers	68,990	22,992
Accounts payable on assets and services purchased	41,705	33,091
Prepaid commissions on loans	10,290	11,111
Accrued expenses for services	1,478	1,857
Other financial liabilities	2,850	988
Total other financial liabilities	125,313	70,039
Other non-financial liabilities		
Amounts payable to Individual Deposit Guarantee Fund	11,348	9,696
Deferred income	9,055	8,350
Taxes payable, except for income tax	4,441	3,279
Other liabilities	4	5
Total other non-financial liabilities	24,848	21,330
Total other financial and non-financial liabilities	150,161	91,369

Analysis of other financial liabilities by geographical concentration risk, currency risk, and liquidity risk is presented in Note 27.

16. Other borrowed funds

Based on the agreement signed in November 2017 with WORLDBUSINESS CAPITAL, INC., USA, in December 2017, the Bank received a long-term borrowing for the period of 10 years in the amount of USD 8,000 thousand. The borrowing is repayable in 32 equal installments every three months after 24 months of the borrowing’s use, starting from 20 December 2019. The borrowing was received under the guarantee of OVERSEAS PRIVATE INVESTMENT CORPORATION, USA, with the purpose of promoting lending to small and medium-sized businesses in Ukraine.

In February 2019, the Bank entered into another agreement with WORLDBUSINESS CAPITAL, INC., USA, and in March 2019 received a long-term borrowing for the period of 9 years in the amount of USD 8,000 thousand. The principal of the borrowing is repayable in 34 equal installments as at each payment date, starting from 20 December 2019.

The borrowing was received against guarantee of OVERSEAS PRIVATE INVESTMENT CORPORATION, USA, with the purpose of promoting lending to small and medium-sized businesses in Ukraine (with at least 25% should be directed to lending businesses owned or managed by women). Effective from 1 January 2020, OVERSEAS PRIVATE INVESTMENT CORPORATION appointed and assigned all its functions, personnel, assets, liabilities, including its rights, obligations, and responsibilities to another legal entity, the United States International Development Finance Corporation.

Against the background of the military aggression from the russian federation, in June 2022, the Bank signed with WORLDBUSINESS CAPITAL, INC., USA, additional agreements the terms and conditions of which stipulate for extending borrowing terms by two years and postponing for two years quarterly repayments of borrowings effective from 20 June 2024, as well as reducing the margin by 0.5%. In line with global trends on refusal from LIBOR, in June 2023, the Bank signed an additional agreement on the use of SOFR. From 20 June 2023, interest on agreements shall be calculated based on the 3-month SOFR for USD, plus an additional 0.26161 (“Loan Spread Adjustment”), as well as a margin of 3.75% and 3.3%, respectively, which as at 31 December 2024, amounted to 8.36567% and 7.91567% (as at 31 December 2023: 9.385% and 8.93%). Interest is repayable every three months during the term of the borrowing agreement.

As at 31 December 2024, carrying value of other borrowed funds amounted to UAH 398,648 thousand (as at 31 December 2023: UAH 412,542 thousand).

(in thousands of hryvnias)

16. Other funds raised (continued)

In accordance with the terms and conditions specified in the agreements, the Bank shall comply with certain financial ratios (covenants). The covenants require compliance with the prudential ratios of the NBU and additional ratios:

Financial indicators (covenants)	Normative figure in accordance with the agreement	Actual figure of the indicator as at 31 December 2024
Capital Adequacy Ratio	Not less than 12%	13.34%
Short Term Liquidity Ratio	Not less than 60%	112.18%
Maximum Credit Exposure	Not greater than 25%	23.61%
Open Exposure Ratio	Not greater than 25%	0.00%
Maximum Credit Exposure to Affiliates	Not less than 25%	0.18%
Minimum Collateral Coverage Ratio (Loan 1)	Not less than 125%	140.47%
Minimum Collateral Coverage Ratio (Loan 2)	Not less than 125%	127.30%

The Bank's non-compliance with these financial indicators may lead to negative consequences, including the requirement for early repayment of borrowings upon the request of the borrower.

Considering that the Bank did not breach the NBU regulations during 2024, and has a safety buffer for the majority of the NBU's prudential ratios and the minimum values of the established covenants as at 31 December 2024, and taking into account the Bank's forecasts, the risk of covenant breach over the next 12 months is not significant.

As at 31 December 2024, the Bank complied with all financial indicators established by agreements on other borrowed funds.

Information on changes in the Bank's liabilities on other borrowed funds, including cash and non-cash changes, is provided in Note 18.

Analysis of other borrowed funds by interest rate risk, geographical concentration risk, currency risk, and liquidity risk is presented in Note 27. Information on provisions for other borrowed funds described above is presented in Note 29.

(in thousands of hryvnias)

17. Subordinated debt

	Currency	Maturity	Nominal rate, %	31 December 2024	31 December 2023
Subordinated debt received from a related party-individual	USD	6 September 2027	6	86,122	78,341
Subordinated debt received from a related party-individual	USD	30 November 2028	7	76,193	67,359
Subordinated debt received from a related party-individual	USD	11 October 2028	5	162,912	145,997
Total subordinated debt				325,227	291,697

18. Reconciliation of liabilities arising from financial activities

The tables below provide detailed information on changes in the Bank's major liabilities arising from financial activities, including cash and non-cash changes. Liabilities arising from financial activities relate to obligations for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flows from financial activities for 2024 and 2023.

							Non-cash changes	
	1 January 2024	Cash inflows	Repayment of principal amount of debt	Interest payments	Interest expense	Foreign exchange differences	Other non-cash changes	31 December 2024
Other borrowed funds	412,542	–	(60,221)	(40,172)	42,750	43,749	–	398,648
Subordinated debt	291,697	–	–	(18,486)	20,906	31,110	–	325,227
Lease liabilities	46,387	–	(38,255)	(28,762)	30,288	563	70,703	80,924
Total reconciliation of liabilities arising from financial activities	750,626	–	(98,476)	(87,420)	93,944	75,422	70,703	804,799

(in thousands of hryvnias)

18. Reconciliation of liabilities arising from financial activities (continued)

						Non-monetary changes		
	1 January 2023	Cash inflows	Repay-ment of principal amount of debt	Interest payments	Interest expense	Foreign exchange diffe-rences	Other non-cash changes	31 Decem-ber 2023
Other borrowed funds	394,056	–	–	(36,316)	39,260	15,542	–	412,542
Subordinated debt	278,949	–	–	(16,817)	18,756	10,809	–	291,697
Lease liabilities	79,530	–	(40,921)	(22,013)	22,279	218	7,294	46,387
Total reconciliation of liabilities arising from financial activities	752,535	–	(40,921)	(75,146)	80,295	26,569	7,294	750,626

19. Issued capital

	Number of issued shares	Amount
As at 1 January 2023	3,073,500	1,255,432
Increase in issued capital at the cost of retained earnings	–	2,617,392
As at 31 December 2023	3,073,500	1,517,172
As at 31 December 2024	3,073,500	1,517,172

In accordance with Ukrainian legislation, the Bank distributes its profits as dividends or transfers them to reserves based on financial information prepared in accordance with the requirements of the National Bank of Ukraine.

In 2024 and 2023, no dividends on ordinary shares of the Bank were declared.

19. Issued capital (continued)

The reserve and other funds in equity accounted for in accordance with the NBU requirements amounted to UAH 78,885 thousand as at 31 December 2024 (as at 31 December 2023: UAH 67,083 thousand). Charges to the reserve and other funds are made from the net profits for the reporting year retained by the Bank after paying taxes and making other mandatory payments and should be at least 5% of the Bank’s net profits. The reserve and other funds may only be used to cover losses of the Bank for the reporting year in accordance with the decision of the Bank’s Supervisory Board and in line with the procedure established by the General Shareholders’ Meeting.

In April 2024, the sole shareholder adopted a resolution approving the profit for 2023 in the amount of UAH 236,035 thousand and their distribution as follows:

- UAH 11,802 thousand distributable to the Bank’s reserve and other fund;
- UAH 224,233 thousand distributable to increase the issued capital.

As at 31 December 2024, all shares were represented by ordinary shares with a nominal value of UAH 493.63 per share (as at 31 December 2023: UAH 493.63 per share).

(in thousands of hryvnias)

20. Interest income and expense

	For 12 months of 2024	For 12 months of 2023
Interest income		
Interest income on financial assets measured at amortized cost (calculated using the effective interest rate method):		
Loans to legal entities	1,494,222	1,228,373
Investments in securities at amortized cost	886,240	1,024,202
Loans and advances to banks	145,498	100,091
Loans to individuals	46,037	27,482
Interest income on financial assets measured at fair value through other comprehensive income:		
Investments in securities at fair value through other comprehensive income	531,356	286,928
Total interest income	3,103,353	2,667,076
Interest expense		
Interest expense on financial liabilities measured at amortized cost:		
Current/settlement accounts	812,997	627,550
Term deposits of legal entities	172,159	276,513
Term deposits of individuals	125,377	93,994
Other borrowed funds (Note 18)	42,750	39,260
Subordinated debt (Note 18)	20,906	18,756
Due to other banks and refinancing borrowing from the NBU	1,587	1,171
Other interest expenses:		
Interest expenses on lease liabilities (Note 18)	30,288	22,279
Total interest expenses	1,206,064	1,079,523
Net interest income (Net interest expense)	1,897,289	1,587,553

(in thousands of hryvnias)

21. Commission income and expense

	For 12 months of 2024	For 12 months of 2023
Commission income		
- Cash and settlement transactions	1,254,702	996,264
- Purchase and sale of foreign currency	152,488	147,915
- Guarantees and letters of credit issued	75,630	65,257
- Lending transactions	13,331	12,901
- Use of safe deposits	8,336	7,821
- Cash collection	6,636	7,184
- Other	5,778	3,334
Total commission income	1,516,901	1,240,676
Commission expenses		
- Commission for settlement services	923,909	677,461
- Commission on operations with securities	15,150	3,471
- Commission for payment processing	11,298	17,294
- Commissions on agents’ services to attract customers	6,542	5,966
- Commission for off-balance-sheet operations	5,837	5,264
- Other	4,547	3,988
Total commission expenses	967,283	713,444
Net commission income	549,618	527,232

22. Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9

	For 12 months of 2024	For 12 months of 2023
Cash and cash equivalents	3,269	(2,322)
Loans and advances to banks	(745)	11
Loans and advances to customers	(167,362)	(337,568)
Investments in securities	(99,874)	(82,254)
Other financial assets	5,253	6,248
Loan commitments	(3,306)	(919)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(262,765)	(416,804)

(in thousands of hryvnias)

23. Other operating income (expense)

	For 12 months of 2024	For 12 months of 2023
Other operating income		
Leasing (rental) income	31,840	21,096
Income from MasterCard and Visa on implementation of a joint marketing program	14,168	21,885
Income on discounts received on lease payments (variable portion)	6,252	17,125
Royalty income	3,392	2,074
Income on recognition of repossessed collateral	3,316	–
Income on derecognition of financial liabilities	1,398	1,119
Income on modification of financial liabilities	1,173	8,260
Income on modification of financial assets	–	3,100
Other	3,497	3,711
Total other operating income	65,036	78,370
Other operating expenses		
Expenses on modification of financial assets	3,164	–
Total other operating expenses	3,164	–
Total other operating income (expenses)	61,872	78,370

24. Employee benefit expense

For the year ended 31 December 2024, employee benefit expense amounted to UAH 811,411 thousand (for the year ended 31 December 2023: UAH 689,464 thousand).

Included in employee benefit expense for 2023 was unified social contribution in the amount of UAH 116,500 thousand (for 2023: UAH 93,595 thousand).

(in thousands of hryvnias)

25. Other administrative and operating expenses

	For 12 months of 2024	For 12 months of 2023
Expenses for maintenance of premises, equipment, and IT systems	523,357	324,735
Expenses for processing services, communications, mail, and information systems	163,931	117,406
Royalties	122,000	49,423
Contributions to the Individual Deposit Guarantee Fund	42,222	37,689
Expenses on leases with low value underlying assets and short-term leases	33,421	22,476
Sponsorship and charity	27,355	30,492
Utilities	14,770	12,908
Professional services	13,696	10,683
Advertising and marketing services	13,146	9,642
Security services	10,594	10,038
Business trips expenses	3,559	2,616
Other taxes and mandatory payments, other than income tax	2,320	2,266
Other	67,621	51,536
Total other administrative and operating expenses	1,037,992	681,910

Included in royalty were monthly payments for using the trade mark of “Vlasnyi Rakhunok” to a related party – an entity under control of major shareholders in the amount of UAH 111,766 thousand (for 2023: UAH 42,889 thousand).

Expenses on maintenance of premises and equipment and support of IT systems includes expenses on services for IT systems maintenance received from a related party – an entity under control of major shareholders in the amount of UAH 395,574 thousand (for 2023: UAH 155,650 thousand).

Expenses on sponsorship and charity include expenses on providing charitable assistance to a related party – an entity under the control of the main shareholders in the amount of UAH 12,763 thousand (for 2023: UAH 22,182 thousand).

26. Tax expense

Components of tax expense. Tax expense recognized in profit or loss for the year comprised of the following components:

	2024	2023
Current tax	(259,682)	(257,046)
Deferred tax	(1,042)	2,247
Tax expense	(260,724)	(254,799)

(in thousands of hryvnias)

26. Tax expense (continued)

Reconciliation between the tax expense and profit or loss multiplied by the tax rate. The tax rate applicable to the Bank's income for 2024 was 50% (in 2023: 50%). Effective from 2025, the income tax rate for the Bank will be 25%. Reconciliation between the expected and actual tax expenses is presented below.

	2024	2023
Profit (loss) before tax	515,574	490,833
Theoretical tax charges at the statutory tax rate	(257,787)	(245,417)
Tax effect of items which are not deductible for tax purposes or are not included in the taxable amount:		
- Non-deductible expenses	(5,542)	(8,923)
- Income not recognized in financial accounting	–	(459)
- Changes in recognized tax assets/liabilities	(1,042)	–
- Other changes not taken into account in tax accounting	3,647	–
Tax expenses	(260,724)	(254,799)

Deferred taxes analyzed by type of temporary differences. Differences between statutory tax regulations in Ukraine and IFRS give rise to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of movements in those temporary differences is detailed below, and is recorded at a rate of 25% (in 2023: 25%).

	1 January 2024	Recognized in profit or loss	Recognized in other comprehen-sive income	31 December 2024
Tax effect of deductible/(taxable) temporary differences				
Property, plant and equipment	3,200	(565)	–	2,635
Expense accrued	3,754	(477)	–	3,277
Investments in securities	(34,999)	–	(15,026)	(50,025)
Net deferred tax assets/(liabilities)	(28,045)	(1,042)	(15,026)	(44,113)
Deferred tax assets recognized	13,056	(1,042)	–	12,014
Deferred tax liabilities recognized	(41,101)	–	(15,026)	(56,127)
Net deferred tax assets/(liabilities)	(28,045)	(1,042)	(15,026)	(44,113)

(in thousands of hryvnias)

26.Tax expense (continued)

The tax effect of movements in temporary differences in 2023 is detailed below:

	1 January 2023	Recognized in profit or loss	Recognized in other comprehen-sive income	31 December 2023
Tax effect of deductible/(taxable) temporary differences				
Property, plant and equipment	3,930	(730)	–	3,200
Expense accrued	777	2,977	–	3,754
Investments in securities	6,102	–	(41,101)	(34,999)
Net deferred tax assets/(liabilities)	10,809	2,247	(41,101)	(28,045)
Deferred tax assets recognized	10,809	2,247	–	13,056
Deferred tax liabilities recognized	–	–	(41,101)	(41,101)
Net deferred tax assets/(liabilities)	10,809	2,247	(41,101)	(28,045)

27. Financial risk management

The risk management function within the Bank is described in respect of financial risks, operating risks, and compliance risks. Financial risks comprise market risk, interest rate risk of bank book, credit risk, and liquidity risk. Primary objectives of the financial risk management function are to maintain the acceptable level of risk within the established risk appetite and other set limits and restrictions, ensure the capital adequacy to cover material risks, financial stability of the Bank and its development under the Strategic Plan of the Bank’s Development and determined business model, improve the efficiency of capital management, and increase the value of the Bank’s equity.

Risks are managed in an integrated manner and assessed in terms of the Bank’s Risk Management Strategy and Risk Appetite Declaration, which are reviewed and approved by the Supervisory Board on an annual basis. The operating and compliance risk management functions are intended to ensure proper functioning of internal policies and procedures aimed at minimizing those risks.

The collegiate bodies responsible for risk management functions are represented by: the Supervisory Board, the Management Board, Assets and Liabilities Management Committee (“ALCO”), Credit Committee (for corporate and retail business and interbank operations), Operating Risk Management Committee (“ORMC”), and Tariff Committee.

27. Financial risk management (continued)

The Supervisory Board has the highest degree of authority with respect to risk management, and is empowered through the Charter to approve any transactions on behalf of the Bank, including those which are outside of the scope of the authority of the Management Board and other governing bodies (ALCO, ORMC, Tariff and Credit Committees).

The Management Board is generally responsible for the activities of the Bank, including those relating to risk management. The Management Board delegates its powers with respect to overall asset, liability, and risk management to ALCO, ORMC, Credit Committee, and Tariff Committee.

ALCO coordinates work of all structural units of the Bank with the aim of implementing asset and liability management strategies, optimizing asset and liability structure, utilizing effectively and efficiently the Bank's credit resources, minimizing risks and achieving a sufficient profitability level. ALCO manages foreign currency risk, interest rate risk of a bank book, and liquidity risk.

Credit Committees and Commissions make and approve decisions on lending transactions within their respective authorities, as well as on other credit-related issues relating to corporate and retail customers and regarding setting up limits for the parties operating in interbank market (foreign exchange and money markets). They also make decisions on creating allowances for expected credit losses.

In the event the amount of lending operation or the total amount of the exposure of a customer (or a group of related parties) to the Bank, taking into account all off-balance sheet liabilities issued by the Bank in respect this customer (a group of related parties), as well as the transactions on assigning/acquiring claims on loans, exceeds the level of 10% of the Bank's regulatory capital, a decision regarding the transaction is subject to approval by the Management Board and the Supervisory Board.

Decisions to issue loans, guarantees, or sureties to related parties (other than banks) in the amount exceeding 1% of the regulatory capital (to individuals) or 3% of the regulatory capital (to legal entities) are made by the Management Board, subject to further approval by the Supervisory Board of the Bank.

Tariff Committee of the Bank acts with the aim of providing additional measures for risk management and optimization of the tariff policy regarding the Bank's products and services provided to the Bank's customers. Tariff Committee, within its area of responsibilities, performs monthly analysis of the ratios related to service costs and competitiveness of the Bank's tariffs in the market, and also is responsible for operating income policies.

During 2024, no changes occurred in risk management policies.

27. Financial risk management (continued)

Credit risk. Credit risk represents the Bank's exposure to financial or additional losses or shortages in planned income as a result of failure by a borrower or counterparty to fulfill its contractual obligations. Credit risk exposure arises mainly from loans and advances granted and investment securities. For risk management reporting purposes, the Bank considers and consolidates all credit risk elements (such as a risk of failure of certain borrowers and counterparties to perform their obligations, as well as risks inherent to certain countries and industries).

The Bank believes that its maximum credit risk exposure on financial assets is equal to the carrying value of those financial assets.

Credit risk management system in the Bank ensures for timely and adequate identifying, measuring, monitoring, reporting, controlling, and mitigating credit risk on both individual and collective bases.

In granting and supporting off-balance sheet loan commitments (obligations on unused loans and letters of credit) and guarantees, the Bank uses the same procedures for their considering, approving, and maintaining as for the loans granted.

A process for credit risk management is established in the following regulations of the Bank: the Bank's Risk Management Strategies, the Bank's Credit Policies and Credit Risk Management Policies, as well as methodologies and regulations determining the procedure for assessing a degree of credit risk of financial instruments and expected credit losses.

Key principles applied in the process of credit risk management include:

- Ensuring the balance of acceptable risk level and rate of return;
- Establishing risk appetite indicators for this type of risk;
- Assessing terms and conditions of a lending operation, including a collateral;
- Estimating and setting lending limits for borrowers/groups of the Bank's related counterparties;
- Accrediting independent appraisers of collateralized properties of the Bank's borrowers;
- Monitoring on a regular basis the availability and condition of collateral items;
- Assessing the Bank's loan portfolio risks;
- Maintaining regular management reporting.

The credit risk management process in the Bank consists of the following stages:

- Identifying risks – determining risk sources;
- Assessing risks – determining and assessing the extent of risks identified;
- Controlling risks – setting limits to the extent of acceptable risks;
- Monitoring risks – a process of consistent tracking of risk sources.

27. Financial risk management (continued)

The Bank applies the following methods to manage its credit risk:

- Preventing risk before a transaction held;
- Planning a risk level through assessing the level of estimated losses;
- Limiting the credit risk by setting limits within the approved risk appetite;
- Creating provisions for covering possible losses on loans granted;
- Structuring agreements;
- Managing the adequacy of collateral on agreements;
- Applying the system of authorities in making decisions;
- Identifying in a timely manner the assets that may potentially turn out to be non-performing (NPLs) through the implemented system of early warning;
- Conducting a consistent monitoring and control of the risk level.

To minimize credit risk, the Bank also uses pledges and other types of collateral.

A decision on active operations with large corporate customers is made by the Bank's Credit Committees and Credit Commissions. In making its lending decisions, the Bank evaluates potential borrowers on the basis of their financial positions as reflected in their financial statements, their credit history, and the amount of risk involved in lending to a particular borrower.

In assessing risks associated with a particular borrower-legal entity or individual entrepreneur obtaining a loan for conducting business activities, the Bank takes into account the borrower's financial position, its solvency and payment abilities, market analysis, risks related to the industry in which the borrower operates, and market positions of the borrower's business, as well as factors such as the quality of its management, its geographic location, concentration of suppliers/customers, debt load, the liquidity of the proposed collateral, and whether it is sufficient in view of the credit risk.

The Bank assesses credit risk concentrations by portfolios of active operations taken as a whole and by individual components.

The Bank's Management Board has approved limits on active operations by industries and a range of loan products. As at 31 December 2024, all credit transactions were performed within the limits set.

Measuring expected credit losses on financial assets assessed on a collective basis. Assessment of credit risk for risk management purposes is comprehensive and requires using a certain model, since the exposure of credit risk changes depending on market condition developments, estimated cash flows, and time. The Bank assesses credit risk by using such indicators as probability of default (PD), exposure at default (EAD), and loss given default (LGD). In accordance with IFRS 9 "Financial Instruments" requirements, the Bank creates allowances for expected credit losses .

27. Financial risk management (continued)

Expected credit losses on securities (including domestic government bonds) are measured within the general impairment model with reference to credit risk parameters.

In assessing whether a significant increase in credit risk has occurred since initial recognition, the Bank considers both quantitative and qualitative indicators. Qualitative indicators are determined separately depending on the type of financial assets (corporate, retail, interbank loans, securities, financial accounts receivable). One of the qualitative criteria performs a function of “backstop” indicator (number of days past due). The Bank uses a rebuttable presumption that a credit risk on the financial asset has increased significantly since initial recognition if the period of delays in contractual payments is in excess of 30 days.

The Bank determines the availability of a significant increase in credit risk by individual loan agreements/tranches. Specifically, the Bank uses indicators (attributes) in respect of both customers taken as a whole and their assets in particular. As indicators (attributes) of a significant increase in credit risk, the Bank uses changes in indicators at the reporting date in respect of individual loan agreements/tranches compared to the date of initial recognition. The Bank uses the following indicators (attributes) in determining the availability of a significant increase in credit risk and including a financial instrument to Stage 2:

- For counterpart banks:
  - Amounts past due for more than 30 days;
  - Decreased external rating;
  - Available facts on the failure to meet the NBU’s ratios (not applicable when the NBU’s permits or remediation plans agreed with the NBU are available).

- For counterpart individuals:
  - Amounts past due for more than 30 days;
  - Delays in loan (interest) repayment/unauthorized overdrafts during recent 6 months;
  - Blocked current accounts.

- For counterpart legal entities:
  - Amounts past due for more than 30 days;
  - Significant increase in the ratio of debt to EBITDA;
  - Available information on legal claims of third parties to customers, management, or properties;
  - Blocked current accounts;
  - Violated significant terms and conditions of loan agreements (covenants);
  - Negative values of equity for 3 successive years;

27. Financial risk management (continued)

- Negative credit history;
- Deteriorated Class by 3 and more positions, with the transfer to not higher than Class 6;
- Significant decrease in monthly volumes on current accounts;
- Other criteria evidencing on changes in the credit risk.

* for counterpart securities issuers:

  - Amounts past due on payments for more than 30 days ;
  - Decreased external rating .

The Bank uses one or a combination of indicators, together with own judgment, in determining the availability of a significant increase in credit risk depending on the available information, peculiarities of borrowers, their assets, etc.

The Bank considers the following as constituting an event of default for a financial asset or a group of financial assets (including a financial instrument to Stage 3):

* Significant financial difficulties of the borrower or issuer .
* A breach of contract such as a default or past due event regarding repayment of a principal or interest for more than 90 days. Certain delays in debt repayment above 90 days may not be an evidence of impairment. A decision on whether the asset has impairment indicators should be taken on the basis of additional information.
* Negative restructuring associated with a borrower's financial difficulties and a significant decrease in expected flows from its assets; besides, full fulfillment of obligations (at the expense of all sources, including realization of collateral) in the next five years cannot be substantiated. Financial difficulties of a borrower are such changes in the financial position of the borrower, due to which late payments would be allowed and/or losses would be recognized as a reduction in the value of the loan, if the appropriate loan restructuring were not performed.
* The loss of an active market by the borrower.
* The failure in prerequisites for the credited project to be realized.
* Impairment of the collateral when the loan repayment is directly dependable on the collateral value.
* A high probability of the borrower to announce its bankruptcy or financial reorganization.
* Observable data about the decreased cash flows from the group (negative changes in the status of borrowers' repayments in the group or impact of economic conditions on fulfillment of obligations).
* Sales of a counterparty's loans at a high discount .
* Write off of one or several assets of the counterparty at the cost of an allowance .

27. Financial risk management (continued)

The Bank uses one or a combination of indicators, together with own judgment, in determining whether there is a default depending on the available information, peculiarities of borrowers, their assets, etc.

The Bank uses both individual and collective assessments when determining expected credit losses.

As inputs for calculating expected credit losses, the Bank uses internal historical information in respect of defaults, recoveries received at default, expectations as to lives of financial instruments, periods of collateral sales, etc.

Calculation of allowance for expected credit losses on loans and advances to customers measured on an individual basis. The Bank assesses on an individual basis loans and advances to customers in respect of which indicators of significant increase in credit risk have been identified at the reporting date and which, by the total carrying value, are considered to be material. Loans to legal entities in respect of which default indicators have been identified (included to Stage 3) are mandatorily measured on an individual basis. The Bank may assess the remaining assets both on an individual basis based on its own judgment and on a collective basis by uniting them in groups of loans with similar credit risk parameters. The estimation of expected credit losses by each loan measured on an individual basis is performed based on discounted cash flows under several scenarios weighted for the probability of each scenario. he Bank considers several scenarios of repaying funds by a borrower under each individual financial asset and takes into account each of them even when a repayment of debt under the specific scenario is considered to be remote. The Bank considers the following standard scenarios for the recovery of loans:

- Independent repayment of the loans in accordance with the current schedule;
- Independent repayment of the loans at the cost of debt restructuring;
- Sale of the borrower’s loans;
- Repayment of the borrower’s loans at the cost of sale of collateral under this loan;
- Write-off of the borrower’s loans through creating allowances for this debt in full amounts.

In addition to the above scenarios, the Bank may consider customized scenarios.

In the course of analyzing future cash flows, the Bank considers all information available at the date of calculating the allowance that should be based on reasonable assumptions and forecasts that should be properly documented (substantiation of the expected cash flows, availability of the factors affecting the forecast, assumptions of the Bank, possible scenarios). The Bank determines a probability for exercising each scenario under the financial instruments measured on an individual basis, with reference to the available information about a borrower, current and forward-looking macroeconomic conditions, as well as the Bank’s experience based on judgments and reasonable assumptions. The Bank uses all available and supportable information received without excessive efforts that may have an impact on the probability of one or several scenarios. Probabilities of scenarios are determined by applying expert judgments of the Bank’s management or statistically, in the event a historical range of data is available.

27. Financial risk management (continued)

The estimation of allowances for non-cancellable off-balance sheet liabilities and guarantees measured on an individual basis is performed on the same principles as for on-balance sheet financial instruments.

The only significant difference is the use of credit conversion factor (CCF) in determining the gross carrying value at risk.

Calculation of the allowance for expected credit losses on loans and advances to customers measured on a collective basis. The Bank unites the financial instruments measured at the reporting date on an individual basis into groups of financial assets with similar credit risk characteristics (e.g., based on type of a borrower, period of a delay, overdue period, currency of the asset, internal classification of loans that may consider loan term, industry, designated use, geographical location of the borrower, type of collateral, and other factors) and assesses the expected credit losses on a collective (portfolio) basis. The key inputs used for measuring expected credit losses are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD (the Bank adjusts the determined value of probability of default according to the projected macroeconomic scenario).

Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. LGD models for secured assets consider collateral valuation taking into account sale discounts, time to realization of collateral, cost of realization of collateral and time of recovery. LGD models for unsecured assets consider historical data about time of recovery and recovery rates.

Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank’s modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as repayment in accordance with the contractual schedule, changes in utilization of undrawn commitments, and credit mitigation actions taken before default.

(in thousands of hryvnias)

27. Financial risk management (continued)

Incorporation of forward-looking information in respect of macroeconomic indicators. Expected credit losses are calculated with reference to expectations regarding changes in a range of macroeconomic indicators such as: inflation, exchange rate, GDP and unemployment rate. A projection of macroeconomic indicators has been developed by the Bank for the horizon of forecast of one year. In modelling the projection, the Bank has used both historical data for 2024 and 2023, and assumptions and published data about future macroeconomic factors prepared by the National Bank of Ukraine, the Ministry of Economic Development and Trade, and the Ministry of Finance of Ukraine, and international financial institutions.

The tables below analyze information on significant changes in the gross carrying value of loans and advances to customers during the period and investments in securities measured at fair value through other comprehensive, as well as movements in allowance for expected credit losses during 2024 and 2023. Movements in expected credit losses on loans and advances to banks, investments in securities measured at amortized cost, guarantees, and other loan commitments are insignificant for the purpose of these financial statements.

Loans and advances to customers measured at amortized cost – change in gross carrying value by Stage:

	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired loans	Total
31 December 2023	6,596,208	1,618,017	1,161,383	102,367	9,477,975
New loans granted to customers or originated	8,393,617	–	–	54,709	8,448,326
Transfer to Stage 1	120,979	(120,979)	–	–	–
Transfer to Stage 2	(1,309,740)	1,496,887	(187,147)	–	–
Transfer to Stage 3	–	(553,415)	553,415	–	–
Loans derecognition (repaid)	(4,917,129)	(662,839)	(116,910)	(40,394)	(5,737,272)
Written off and sold	–	–	(35,767)	–	(35,767)
Changes due to modification that had not resulted in derecognition	(1,613)	(3,651)	255	–	(5,009)
Effect of other changes (foreign currency exchange rate fluctuations and partial repayment)	(264,088)	(66,186)	32,569	(7,142)	(304,847)
31 December 2024	8,618,234	1,707,834	1,407,798	109,540	11,843,406

(in thousands of hryvnias)

27. Financial risk management (continued)

	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired loans	Total
31 December 2022	4,937,264	3,130,796	1,033,799	70,148	9,172,007
New loans granted to customers or originated	6,543,427	–	–	55,554	6,598,981
Transfer to Stage 1	221,297	(221,297)	–	–	–
Transfer to Stage 2	(996,525)	997,841	(1,316)	–	–
Transfer to Stage 3	–	(518,815)	518,815	–	–
Loans derecognition (repaid)	(4,079,858)	(1,515,789)	(355,483)	(24,957)	(5,976,087)
Written off and sold	–	–	(38,014)	–	(38,014)
Changes due to modification that had not resulted in derecognition	2,026	(3,742)	1,664	(2,751)	(2,803)
Effect of other changes (foreign currency exchange rate fluctuations and partial repayment)	(31,423)	(250,977)	1,918	4,373	(276,109)
31 December 2023	6,596,208	1,618,017	1,161,383	102,367	9,477,975

Loans and advances to customers measured at amortized cost – movements in allowance for expected credit losses by Stage:

	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired loans	Total
31 December 2023	114,277	345,587	726,798	47,459	1,234,121
New loans granted to customers or originated	214,899	–	–	28,791	243,690
Transfer to Stage 1	17,094	(17,094)	–	–	–
Transfer to Stage 2	(125,148)	157,527	(32,379)	–	–
Transfer to Stage 3	–	(63,315)	63,315	–	–
Loans derecognition	(83,702)	(118,340)	(69,027)	(646)	(271,715)
Written off and sold	–	–	(35,767)	–	(35,767)
Effect of changes in models or risk parameters	(14,869)	50,784	236,548	(7,005)	265,458
Impact of other changes (including the impact of exchange rate changes and partial repayments)	(10,539)	(2,993)	24,023	8,018	18,509
31 December 2024	112,012	352,156	913,511	76,617	1,454,296

(in thousands of hryvnias)

27.Financial risk management (continued)

	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired loans	Total
31 December 2022	20,549	434,274	494,009	15,119	963,951
New loans granted to customers or originated	76,492	–	–	646	77,138
Transfer to Stage 1	36,342	(36,342)	–	–	–
Transfer to Stage 2	(11,649)	12,965	(1,316)	–	–
Transfer to Stage 3	–	(102,943)	102,943	–	–
Loans derecognition	(16,077)	(189,685)	(136,700)	(1,434)	(343,896)
Written off and sold	–	–	(38,014)	–	(38,014)
Effect of changes in models or risk parameters	5,758	19,585	348,593	34,375	408,311
Impact of other changes (including the impact of exchange rate changes and partial repayments)	2,862	207,733	(42,717)	(1,247)	166,631
31 December 2023	114,277	345,587	726,798	47,459	1,234,121

To disclose changes in gross carrying value of loans and advances to customers during the period, as well as movements in allowance for expected credit losses during 2024 and 2023, all changes in gross carrying value and allowance for loans recognized during the reporting period are presented in line “New loans and advances to customers or originated loans” irrespective of the reason for the said changes.

As at 31 December 2024, undiscounted amount on the initial impairment of originated credit-impaired loans recognized on their initial recognition and not included in allowances amounted to UAH 213,661 thousand (as at 31 December 2023: UAH 253,314 thousand).

The Bank does not disclose the effect of modification on financial assets measured at amortized cost or fair value through other comprehensive income in the form of a separate table, since the modification of financial assets that took place during 2024 and 2023 that resulted in the transfer of modified financial assets with lifetime expected credit losses to the category of financial assets with 12-month expected credit losses had no significant impact on the statement of comprehensive income, profit or loss.

The tables below analyze information on significant changes in the gross carrying value of investments in securities measured at fair value through other comprehensive income during the period, as well as movements in allowance for expected credit losses during 2024 and 2023.

(in thousands of hryvnias)

27. Financial risk management (continued)

Investments in securities measured at fair value through other comprehensive income – change in gross carrying value by Stage:

	Stage 1	Stage 2	Total
31 December 2023	3,157,466	236,526	3,393,992
New investments in securities	4,127,964	–	4,127,964
Transfer to Stage 1	–	–	–
Transfer to Stage 2	–	–	–
Investments in securities derecognition (repaid and sold)	(2,192,781)	(105,321)	(2,298,103)
Effect of other changes (including foreign currency exchange rate fluctuations)	134,978	14,193	149,171
31 December 2024	5,227,627	145,398	5,373,024

	Stage 1	Stage 2	Total
31 December 2022	743,253	1,224,609	1,967,862
New investments in securities	3,181,547	–	3,181,547
Transfer to Stage 1	–	–	–
Transfer to Stage 2	–	–	–
Investments in securities derecognition (repaid and sold)	(960,075)	(1,008,300)	(1,968,375)
Effect of other changes (including foreign currency exchange rate fluctuations)	192,741	20,217	212,958
31 December 2023	3,157,466	236,526	3,393,992

Investments in securities measured at fair value through other comprehensive income – movements in allowance for expected credit losses by Stage:

	Stage 1	Stage 2	Total
31 December 2023	111,585	11,614	123,199
New investments in securities	179,432	–	179,432
Transfer to Stage 1	–	–	–
Transfer to Stage 2	–	–	–
Investments in securities derecognition (repaid and sold)	(74,837)	(701)	(75,538)
Effect of changes in models or risk parameters	(6,029)	626	(5,403)
Effect of other changes (including foreign currency exchange rate fluctuations)	93	1,179	1,272
31 December 2024	210,244	12,718	222,962

(in thousands of hryvnias)

27. Financial risk management (continued)

	Stage 1	Stage 2	Total
31 December 2022	494	40,451	40,945
New investments in securities	57,278	–	57,278
Transfer to Stage 1	–	–	–
Transfer to Stage 2	–	–	–
Investments in securities derecognition (repaid and sold)	(6,505)	(29,008)	(35,513)
Effect of changes in models or risk parameters	48,894	3,476	52,370
Effect of other changes (including foreign currency exchange rate fluctuations)	11,424	(3,305)	8,119
31 December 2023	111,585	11,614	123,199

Concentration risk. Concentration risk is determined by the Bank as the risk of possible losses due to concentration of the risk on particular instruments, individual transactions, and sectors of economy.

Concentration of assets and liabilities by currencies, maturities, and geographical indicators are analyzed in relevant risk management policy sections.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates, and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of those limits in the event of more significant market movements. Overall authority for market risk is vested to ALCO.

Foreign currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions (monitored daily). Management monitors the Bank's currency positions in accordance with the regulations of the NBU and internally developed methodology.

The table below summarizes the Bank's exposure to foreign currency risk concentration as at 31 December 2024.

	31 December 2024			
	Non-derivative financial assets	Non-derivative financial liabilities	Derivative financial assets/(liabilities)	Net position
UAH	24,582,467	22,510,933	187,110	2,258,644
USD	6,958,625	6,976,192	(126,005)	(143,572)
EUR	2,003,710	1,972,515	(60,848)	(29,653)
Other	77,112	69,938	–	7,174
Total	33,621,914	31,529,578	257	2,092,593

(in thousands of hryvnias)

27. Financial risk management (continued)

The table below summarizes the Bank's exposure to foreign currency risk concentration as at 31 December 2023.

	31 December 2023			
	Non-derivative financial assets	Non-derivative financial liabilities	Derivative financial assets/(liabilities)	Net position
UAH	19,817,543	18,143,821	230,926	1,904,648
USD	6,550,118	6,367,140	(175,557)	7,421
EUR	1,512,611	1,487,738	(57,489)	(32,616)
Other	73,996	64,418	–	9,578
Total	27,954,268	26,063,117	(2,120)	1,889,031

The above analysis includes only monetary financial assets and liabilities.

The following table presents sensitivities of profit or loss, before tax, and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

	31 December 2024		31 December 2023	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 15% (2023: strengthening by 15%)	(21,536)	(10,786)	1,113	557
USD weakening by 5% (2023: weakening by 5%)	7,179	3,590	(371)	(186)
EUR strengthening by 15% (2023: strengthening by 15%)	(4,448)	(2,224)	(4,892)	(2,446)
EUR weakening by 5% (2023: weakening by 5%)	1,483	742	1,631	816
Other currency strengthening by 15% (2023: strengthening by 15%)	1,076	538	1,437	719
Other currency weakening by 5% (2023: weakening by 5%)	(359)	(180)	(479)	(240)

A negative amount in the table reflects a potential net reduction in the statement of comprehensive income, profit or loss or the statement of changes in equity, while a positive amount reflects a net potential increase. The sensitivity was calculated only for monetary balances denominated in currencies, other than the functional currency of the Bank.

The above effect of changes in currency rates on the profit and equity relates to revaluation of open currency position only and does not take into account the potential decrease in credit quality of assets as a result of devaluation of Ukrainian Hryvnia.

(in thousands of hryvnias)

27. Financial risk management (continued)

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event when unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. In practice, management resets interest rates on both assets and liabilities based on current market conditions and mutual agreement, which is documented in an addendum to the original agreement, which sets forth the new interest rate.

ALCO and Credit Committees are responsible for interest rate risk management, including minimum credit and maximum borrowing rates in respect of products, customer groups, and counterparties. Credit Committees are responsible for ensuring compliance with guidelines set by ALCO. At the same time, the corporate and retail business divisions recommend altering certain interest rates to ALCO subject to changes in market conditions or for internal reasons. Interest rate risk management is conducted using GAP analysis method, whereby the difference or gap between rate sensitive assets and rate sensitive liabilities is determined and analyzed.

As at 31 December 2024, most financial assets and liabilities of the Bank were issued/attracted at a fixed interest rate. As of the end of 2024, interest was accrued at a floating rate on loans and advances to customers in the amount of UAH 2,313,432 thousand (as of the end of 2023: UAH 2,397,407 thousand), other borrowed funds in the amount of UAH 398,648 thousand (as of the end of 2023: UAH 412,542 thousand) (Note 30). The table below analyzes the sensitivity of interest rates on assets and liabilities at floating interest rates and investments in securities measured at fair value through other comprehensive income as at 31 December 2024 and 2023:

	31 December 2024		31 December 2023	
	Interest rate +1	Interest rate -1	Interest rate +1	Interest rate -1
Impact on profit or loss and other comprehensive income				
Sensitivity of non-derivative financial assets	23,134	(23,134)	23,794	(23,794)
Sensitivity of non-derivative financial liabilities	(3,986)	3,986	(4,125)	4,125
Sensitivity of investments in securities measured at fair value through other comprehensive income	(83,795)	91,554	(68,994)	73,118
Net impact on profit or loss and other comprehensive income	(64,647)	72,406	(49,325)	53,449

(in thousands of hryvnias)

27. Financial risk management (continued)

Concentration of geographical risk. Geographical concentration of the Bank's financial assets and liabilities as at 31 December 2024 is set out below:

	Ukraine	OECD countries	Other countries	Total
Non-derivative financial assets				
Cash and cash equivalents	2,557,151	1,535,739	–	4,092,890
Loans and advances to banks	1,068	2,672,965	–	2,674,033
Loans and advances to customers	10,383,978	5,132	–	10,389,110
Investments in securities	15,603,248	155,484	181,306	15,940,038
Other financial assets	31,723	494,095	25	525,843
Total non-derivative financial assets	28,577,168	4,863,415	181,331	33,621,914
Total derivative financial assets	465	–	–	465
Total financial assets	28,577,633	4,863,415	181,331	33,622,379
Non-derivative financial liabilities				
Due to other banks	25,111	–	54,222	79,333
Customer accounts	30,426,254	46,067	37,937	30,510,257
Lease liabilities	80,924	–	–	80,924
Other borrowed funds	–	398,648	–	398,648
Provisions for loan commitments and financial guarantee contracts	9,876	–	–	9,876
Other financial liabilities	123,754	1,479	80	125,313
Subordinated debt	325,227	–	–	325,227
Total non-derivative financial liabilities	30,991,146	446,194	92,239	31,529,579
Total derivative financial liabilities	208	–	–	208
Total financial liabilities	30,991,354	446,194	89,092	31,529,787
Net position on non-derivative financial instruments	(2,413,978)	4,417,221	89,092	2,092,335
Net position on derivative financial instruments	257	–	–	257
Net position on derivative and non-derivative financial instruments	(2,413,721)	4,417,221	89,092	2,092,592

(in thousands of hryvnias)

27.Financial risk management (continued)

Financial assets and liabilities have been allocated based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which it is physically held. OECD assets and liabilities mainly include balances with counterparties in the USA, Germany, the UK, and Austria. Assets and liabilities with other countries mainly include balances with counterparties in Montenegro.

Geographical concentration of the Bank's financial assets and liabilities as at 31 December 2023 is set out below:

	Ukraine	OECD countries	Other countries	Total
Non-derivative financial assets				
Cash and cash equivalents	3,572,694	2,959,307	–	6,532,001
Loans and advances to banks	1,041	984,390	–	985,431
Loans and advances to customers	8,238,799	5,055	–	8,243,854
Investments in securities	11,050,470	520,819	174,730	11,746,019
Other financial assets	19,524	427,374	65	446,963
Total financial assets	22,882,528	4,896,945	174,795	27,954,268
Non-derivative financial liabilities				
Due to other banks	149,760	–	232,676	382,436
Customer accounts	24,726,184	70,922	56,339	24,853,445
Lease liabilities	46,387	–	–	46,387
Other borrowed funds	–	412,542	–	412,542
Provisions for loan commitments and financial guarantee contracts	6,571	–	–	6,571
Other financial liabilities	68,064	1,931	44	70,039
Subordinated debt	291,697	–	–	291,697
Total non-derivative financial liabilities	25,288,663	485,395	289,059	26,063,117
Total derivative financial liabilities	2,120	–	–	2,120
Total financial liabilities	25,290,783	485,395	289,059	26,065,237
Net position on non-derivative financial instruments	(2,406,135)	4,411,550	(114,264)	1,891,151
Net position on derivative financial instruments	(2,120)	–	–	(2,120)
Net position on derivative and non-derivative financial instruments	(2,408,255)	4,411,550	(114,264)	1,889,031

27. Financial risk management (continued)

Liquidity risk. Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and loan issuing. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by Assets and Liabilities Management Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of corporate and retail customer deposits. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank’s business reputation.

Treasury Department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows. Treasury Department then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments, including deposits and contributions by shareholders. This enhances funding flexibility, limits dependence on any one source of funds, and generally lowers the cost of funds. Management strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Deposits from customers and banks generally have short maturity and a large portion of them is repayable on demand. The short-term nature of these deposits increases the Bank’s liquidity risk, and the Bank actively manages the risk through competitive pricing and constant monitoring of market trends.

The liquidity management of the Bank requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the National Bank of Ukraine.

The daily liquidity position is monitored and regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, is performed by Treasury Department.

(in thousands of hryvnias)

27. Financial risk management (continued)

The table below shows liabilities as at 31 December 2024 and 2023 by their remaining contractual maturities. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amounts included in the statement of financial position because the amounts in the statement of financial position are based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rates at the end of the reporting period.

The maturity analysis of financial liabilities as at 31 December 2024 and 2023 based on undiscounted cash flows for financial liabilities was as follows:

	On demand and less than 1 month	1-3 months	3-12 months	Over 12 months	Total
31 December 2024					
Due to other banks	55,990	–	3,858	19,458	79,333
Customer accounts	27,506,824	1,704,199	1,212,443	158,349	30,581,815
Lease liabilities	10,434	17,689	41,319	63,865	133,307
Other borrowed funds	–	28,710	84,052	382,159	494,921
Other financial liabilities	125,313	–	–	–	125,313
Subordinated debt	1,638	3,126	14,570	386,908	406,242
Irrevocable loan commitments	527,826	–	–	–	527,826
Guarantees issued	3,414,344	–	–	–	3,414,344
Avals payable	23,258	–	–	–	23,258
Total potential future payments on non-derivative financial liabilities and loan commitments as at 31 December 2024	31,665,627	1,753,724	1,356,242	1,010,766	35,786,359
Derivative financial liabilities	186,853	–	–	–	186,853
Total potential future payments on derivative and non-derivative financial liabilities as at 31 December 2024	31,852,480	1,753,724	1,356,242	1,010,766	35,973,212

(in thousands of hryvnias)

27. Financial risk management (continued)

	On demand and less than 1 month	1-3 months	3-12 months	Over 12 months	Total
31 December 2023					
Due to other banks	350,104	–	26,273	6,059	382,436
Customer accounts	22,724,489	945,672	1,096,915	128,567	24,895,643
Lease liabilities	10,447	8,894	29,717	15,881	64,939
Other borrowed funds	–	9,675,	83,679	457,096	550,450
Other financial liabilities	70,039	–	–	–	70,039
Subordinated debt	675	3,427	13,107	367,035	384,244
Irrevocable loan commitments	229,265	–	–	–	229,265
Guarantees issued	1,650,883	–	–	–	1,650,883
Avals payable	137,491	–	–	–	137,491
Total potential future payments on non-derivative financial liabilities and loan commitments as at 31 December 2023	25,173,393	967,668	1,249,691	974,638	28,371,961
Derivative financial liabilities	233,046	–	–	–	233,046
Total potential future payments on derivative and non-derivative financial liabilities as at 31 December 2023	25,406,439	967,668	1,249,691	974,638	28,598,436

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement.

Current accounts and due to other banks are due on demand and have been reflected as "On demand and less than 1 month" in these schedules. However, management estimates that demand on a majority of the accounts will occur at a significantly later date.

Deposits are classified in the above analysis based on contractual maturities. According to the Ukrainian Civil Code amendments adopted during 2015, individuals have a right to withdraw their term deposits prior to maturity only in the cases where it is stipulated in the contract of bank term deposit.

(in thousands of hryvnias)

27. Financial risk management (continued)

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities, which may be summarized as follows as at 31 December 2024:

	On demand and less than 1 month	1-3 months	3-12 months	Over 12 months	Total
Non-derivative financial assets					
Cash and cash equivalents	4,092,890	–	–	–	4,092,890
Loans and advances to banks	1,220,410	968,238	484,954	431	2,674,033
Loans and advances to customers	1,447,363	2,484,874	3,885,392	2,571,481	10,389,110
Investments in securities	10,374,392	1,296,280	1,330,750	2,938,616	15,940,038
Other financial assets	23,013	–	9,622	493,208	525,843
Total non-derivative financial assets	17,158,068	4,794,392	5,710,718	6,003,736	33,621,914
Total derivative financial assets	465	–	–	–	465
Total financial assets	17,158,533	4,794,392	5,710,718	6,003,736	33,622,379
Non-derivative financial liabilities					
Due to other banks	55,990	–	3,858	19,485	79,333
Customer accounts	27,494,000	1,682,765	1,187,776	145,716	30,510,257
Lease liabilities	10,211	16,382	28,705	25,626	80,924
Other borrowed funds	–	21,060	59,869	317,719	398,648
Other financial liabilities	125,313	–	–	–	125,313
Provisions for loan commitments and financial guarantee contracts	9,876	–	–	–	9,876
Subordinated debt	713	548	–	323,966	325,227
Total non-derivative financial liabilities	27,696,103	1,720,755	1,280,208	832,512	31,529,578
Total derivative financial liabilities	208	–	–	–	208
Total financial liabilities	27,696,311	1,720,755	1,280,208	832,512	31,529,578
Net liquidity gap as at 31 December 2024	(10,537,778)	3,028,637	4,430,510	5,171,224	2,092,593
Cumulative liquidity gap as at 31 December 2024	(10,537,778)	(7,509,141)	(3,078,631)	2,092,593	
Loan commitments					
Irrevocable loan commitments	527,826	–	–	–	527,826
Guarantees issued	3,414,344	–	–	–	3,414,344
Avals payable	23,258	–	–	–	23,258
Cumulative liquidity gap as at 31 December 2024, including loan commitments	(14,503,206)	(11,474,569)	(7,044,059)	(1,872,835)	–

(in thousands of hryvnias)

27. Financial risk management (continued)

As at 31 December 2024, the Bank had a cumulative liquidity gap on financial assets and liabilities with maturities of up to 12 months in the amount of UAH 3,078,631 thousand. This liquidity gap arises from the fact that an important source of funding for the Bank are customer funds on current accounts. Management believes that a significant volume and stable growth of the customer base and the past experience of the Bank indicate that most customer accounts provide a long-term and stable source of funding for the Bank. The minimum balance of customer funds during 2024 and 2023 were estimated to no less than UAH 21,408,102 thousand and UAH 15,885,077 thousand, respectively, which was 70% and 64% of total customer accounts, respectively. In addition, as at 31 December 2024, investments in securities with a maturity of over one year included debt securities issued by Ukrainian and foreign government authorities that were not pledged as collateral, with the fair value of UAH 2,938,616 thousand, which could be sold by the Bank before maturity in emergencies to cover liquidity deficit.

The liquidity position of the Bank as at 31 December 2023 is set out below:

	On demand and less than 1 month	1-3 months	3-12 months	Over 12 months	Total
Non-derivative financial assets					
Cash and cash equivalents	6,532,001	–	–	–	6,532,001
Loans and advances to banks	645,842	–	339,163	426	,985,431
Loans and advances to customers	1,186,307	2,353,545	3,301,784	1,402,218	8,243,854
Investments in securities	8,037,452	932,403	428,328	2,347,836	11,746,019
Other financial assets	13,759	–	6,715	426,489	446,963
Total financial assets	16,415,361	3,285,948	4,075,990	4,176,969	27,954,268
Non-derivative financial liabilities					
Due to other banks	350,104	–	26,273	6,059	382,436
Customer accounts	22,712,789	930,661	1,084,557	125,438	24,853,445
Lease liabilities	9,887	8,396	21,670	6,434	46,387
Other borrowed funds	–	1,291	53,827	357,424	412,542
Provisions for loan commitments and financial guarantee contracts	6,571	–	–	–	6,571
Other financial liabilities	70,039	–	–	–	70,039
Subordinated debt	675	520	–	290,502	291,697
Total non-derivative financial liabilities	23,150,065	940,868	1,186,327	785,857	26,063,117
Total derivative financial liabilities	2,120	–	–	–	2,120
Total financial liabilities	23,152,185	940,868	1,186,327	785,857	26,065,237
Net liquidity gap as at 31 December 2023	(6,736,824)	2,345,080	2,889,663	3,391,112	1,889,031
Cumulative liquidity gap as at 31 December 2023	(6,736,824)	(4,391,744)	(1,502,081)	1,889,031	
Loan commitments					
Irrevocable loan commitments	229,265	–	–	–	229,265
Guarantees issued	1,650,883	–	–	–	1,650,883
Avals payable	137,491	–	–	–	137,491
Cumulative liquidity gap as at 31 December 2023, including loan commitments	(8,754,463)	(6,409,383)	(3,519,720)	(128,608)	–

(in thousands of hryvnias)

27. Financial risk management (continued)

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. A mismatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

28. Capital management

The Bank’s objectives when managing capital are (i) to comply with the capital requirements set by the National Bank of Ukraine and (ii) to safeguard the Bank’s ability to continue as a going concern. The Bank considers total capital under management to be equity as shown in the statement of financial position. The amount of capital that the Bank managed as at 31 December 2024 was UAH 2,136,891 thousand (in 2023: UAH 1,870,716 thousand). Compliance with the capital adequacy ratio set by the National Bank of Ukraine is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank’s Chairperson of the Management Board and Chief Accountant. Other objectives of capital management are evaluated annually.

As at 31 December 2024 and 2023, the Bank’s equity complied with the legislation requirements. In 2024 and 2023, there were no changes in the Bank’s capital management objectives, policies, and processes.

The Bank’s policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Effective from 5 August 2024, the National Bank of Ukraine introduced new capital requirements for banks and the calculation of regulatory capital, as well as amended the calculation of capital adequacy ratios. Currently, banks should maintain a ratio of regulatory capital to risk exposure that is higher than the required minimum. As at 31 December 2024, the minimum level required by the NBU was 8.5% (as at 31 December 2023 – 10%). The table below demonstrates the regulatory capital based on the Bank’s reports prepared under regulatory requirements of the National Bank of Ukraine, before adjustments for the year, and comprises the following components:

	31 December 2024
Core capital	2,014,595
Level 2 capital	231,950
Total regulatory capital	2,246,545

(in thousands of hryvnias)

28. Capital management (continued)

	31 December 2023
Core capital	1,546,389
Additional capital	840,047
Total regulatory capital	2,386,436

As at 31 December 2024 and 2023, the Bank complied with the capital adequacy ratios set by the NBU.

29. Contingent and other liabilities

Legal proceedings. From time to time and in the normal course of business, claims against the Bank may be received from third parties. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims. .

Tax liabilities. Ukraine’s tax environment is characterized by complexity in tax administering, arbitrary interpretation by the tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and those amounts could be material. Facing current economic and political issues, the Government considers implementing certain reforms in the tax system of Ukraine.

Effective from 1 August 2024, the Law of Ukraine No. 3813-IX of 18 June 2024, “On Amending the Tax Code of Ukraine regarding the Specifics of Tax Administration during the Martial Law Period for Taxpayers with a High Level of Tax Compliance” entered into force.

Effective from 1 December 2024, the Law of Ukraine “On Amending the Tax Code of Ukraine and Other Laws of Ukraine to Ensure Balanced Budget Revenues during the Martial Law Period” dated 10 October 2024, No. 4015-IX, entered into force, which, in particular, changed the approaches to taxation of bank profits.

The novelty of Law No. 4015-IX are as follows:

- from 1 December 2024, the military tax on wages increased from 1.5% to 5%. Tax agents are going back to the 1.5% rate from 1 January of the year following the year in which martial law is terminated or canceled.

- from 1 January 2025, tax agents will be required to submit monthly tax calculations to the controlling authorities of the amounts of income accrued (paid) to taxpayers-individuals, and the amounts of tax withheld from them, as well as the amounts of the single contribution accrued;

(in thousands of hryvnias)

29. Contingent and other liabilities (continued)

- The Transitional Provisions of the Tax Code of Ukraine establish that, based on the results of the 2024 tax (reporting) year, the base (main) corporate income tax rate for the purposes of banking profit taxation is 50%. The amount of corporate income tax for 2024 at a rate of 50% shall be determined in the tax return for 2024;

- from 1 January 2025, for corporate income tax payers engaged in trading in foreign currency in cash, advance payments of corporate income tax are set at a fixed amount expressed in euros (instead of the minimum wage) for each foreign currency exchange point, which are paid at the official hryvnia exchange rate set by the National Bank of Ukraine on the first day of the first month of the calendar quarter in which the advance payment is made for each foreign currency exchange point (700 euros for each exchange point in Kyiv, 600 euros in cities with a population of over 50,000, and EUR 200 for other localities);

- from 1 January 2025, the base (main) corporate income tax rate has been changed from 18 to 25 percent for financial institutions (except insurers).

Management believes that the Bank has been in compliance with all requirements of the effective tax legislation, however, there may be no assurance that the tax authorities will not have a different opinion regarding the Bank’s interpretation of the tax legislation and will not apply penalties.

Loan commitments. The main purpose of these instruments is to ensure that funds are available to a customer to satisfy its financial needs.

Outstanding loan commitments were as follows:

	31 December 2024	31 December 2023
Guarantees issued	3,414,344	1,651,899
Irrevocable loan commitments	23,258	233,401
Avals payable	527,826	138,909
Less: collateral in the form of cash deposits	(255,166)	(133,868)
Total loan commitments, less collateral in the form of cash deposits	3,710,262	1,890,341

As at 31 December 2024 and 2023, the amount of the allowance for expected credit losses on loan commitments amounted to UAH 9,876 thousand and UAH 6,571 thousand, respectively.

(in thousands of hryvnias)

29. Contingent and other liabilities (continued)

The Bank had outstanding irrevocable commitments in respect of overdraft on card accounts of individuals. All other in respect to extend loans are revocable. With respect to credit risk on loan commitments to extend loans, the Bank is potentially exposed to loss in the amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments, since most commitments to extend loans are contingent upon customers maintaining specific credit standards.

Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. The total outstanding contractual amount of undrawn guarantees does not necessarily represent future cash requirements, as those financial instruments may expire or terminate without being funded.

As at 31 December 2024 and 2023, loan commitments were neither past due nor impaired. Loan commitments by stages of impairment were as follows:

	31 December 2024	31 December 2023
Stage 1	3,772,533	1,767,735
Stage 2	192,126	256,024
Stage 3	769	450
Total	3,965,428	2,024,209

Assets pledged and restricted in use. The Bank had assets pledged as collateral with the following gross carrying value:

	31 December 2024	31 December 2023
Loans and advances to customers pledged as collateral for other borrowed funds (before allowance for expected credit losses)	466,249	524,872
Guarantee coverage in Visa and MasterCard payment systems (before allowance for expected credit losses)	493,355	426,921
Funds placed with other banks that are used as a guarantee coverage	481,862	336,524
Total	1,441,466	1,288,317

29. Contingent and other liabilities (continued)

Gross carrying value of the assets pledged as a collateral under the borrowing received from WORLDBUSINESS CAPITAL, INC. (Notes 8, 16), hat secure for fulfillment of obligations amounted to UAH 439,159 thousand as at 31 December 2024 (as at 31 December 2023: UAH 524,872 thousand), the actual amount of the collateral to be transferred to WORLDBUSINESS CAPITAL, INC. in the event of failure to fulfill obligations as at 31 December 2024, amounted to UAH 414,900 thousand (as at 31 December 2023: UAH 458,087 thousand).

30. Derivative financial instruments

During 2024, the Bank performed transactions with derivative financial instruments under foreign currency agreements.

Derivative financial instruments under foreign currency agreements entered into by the Bank mainly related to trading in over-the-stock market between professional market participants on the basis of standardized contracts. Derivative financial instruments have potentially favorable terms (i.e. are assets) or potentially unfavorable terms (i.e. are liabilities) due to fluctuations of interest rates in the market, exchange rates, or other variables related to those instruments. Total fair value of derivative financial instruments may significantly change from time to time.

Fair value of derivative financial instruments is determined at a forward exchange rate calculated using the current exchange rates in SPOT market at the date of fair value measurement; interest rates in the quoting currency and the quotation base for the relevant period by the date of a contract fulfillment year to year; the number of calendar days that remained to the contract's fulfillment; calendar base for calculating interest rates by quotation currencies and quotation bases.

As a SPOT exchange rate in transactions with derivative financial instruments on purchase and sale of foreign currencies for national currency, the Bank uses the current exchange rate of a relevant foreign currency against UAH in FOREX market at about 12.00 Kyiv time or first hours close to it applied by calculations in the same business day or the NBU's indicative. The exchange rate is expressed by UAH amount per one unit of foreign currency.

To determine a SPOT exchange rate in performing transactions with derivative financial instruments on purchase and sale of foreign currencies for another foreign currency, the Bank uses current exchange rates of one currency against another currency established by market exchange rates at about 12.00 Kyiv time in the international market (under the data of REUTERS).

Interest rates by quotation currencies and quotation bases are determined by the Bank as follows:

- For UAH, KIEIBOR rate with the period depending on the number of days to a transaction fulfillment. KIEIBOR (Kyiv Interbank Bid and Offered Rates) is an indicative rate of the cash market of Ukraine calculated by the Association of Ukrainian Banks, in cooperation with REUTERS news agency. The values of all components of KIEIBOR index are published on the pages in REUTERS terminal.

(in thousands of hryvnias)

30. Derivative financial instruments (continued)

- For foreign currencies (USD, EUR, GBP, etc.), LIBOR rate with the period depending on the number of days to a transaction fulfillment. LIBOR (London Interbank Offered Rate) is a weighted average interest rate on interbank loans (updated on a daily basis at 13:30).

Interest rate swap is an over-the-counter derivative, a non-standardized contract entered into between two parties according to which the parties exchange contingent contracts that are equal by amounts and have similar maturity dates and interest payment dates, under which one party pays the interest accrued on the amount of the contingent contract at a fixed interest rate, and the other – at a floating interest rate, which is determined based on the index of overnight interest rates.

Fair values of due under foreign currency swap agreements entered into by the Bank as at 31 December 2024 are provided in the table below. The table includes contracts to be settled after the reporting date; with the amounts under those contracts shown gross – before offsetting positions (and payments) on each counterparty.

As at 31 December 2024, the fair value of due under foreign currency swap agreements were as follows:

	31 December 2024	
	Contracts with positive fair value	Contracts with negative fair value
Foreign currency swap		
- Amount of accounts payable in USD when calculating (-)	(60,848)	(126,005)
- Amount of accounts receivable in USD when calculating (+)	61,313	125,797
Net fair value under foreign currency swap agreements	465	(208)

As at 31 December 2023, the fair value of due under foreign currency swap agreements were as follows:

	31 December 2023	
	Contracts with positive fair value	Contracts with negative fair value
Foreign currency swap		
- Amount of accounts payable in USD when calculating (-)	–	(233,046)
- Amount of accounts receivable in USD when calculating (+)	–	230,926
Net fair value under foreign currency swap agreements	–	(2,120)

(in thousands of hryvnias)

30. Derivative financial instruments (continued)

In 2024, the Bank recognized profits on derivative financial instruments in the amount of UAH 3,595 thousand (in 2023: a losses in the amount of UAH 4,507 thousand) in the statement of comprehensive income, profit or loss, which comprised of the following components:

	For 12 months of 2024	For 12 months of 2023
Result on revaluation of foreign currency swap agreements	2,377	(2,120)
Result on revaluation of interest rate swap agreements	–	(51,002)
Result on purchase and sale of foreign currency swap agreements	1,218	4,770
Result on purchase and sale of interest rate swap agreements	–	43,845
Net gain (loss) from transactions with financial instruments at fair value through profit or loss	3,595	(4,507)

31. Fair value of financial instruments

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets and liabilities; (ii) Level 2 measurements are techniques with all observable material inputs for the assets and liabilities, either directly (i.e., prices) or indirectly (i.e., derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (i.e., unobservable inputs).

Management applies professional judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that requires significant adjustments, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Fair value measurements applied on a recurring basis. Certain financial assets and financial liabilities of the Bank are measured at fair value at the end of the reporting period. The following table presents information about methods of measuring fair values of those financial assets and financial liabilities (in particular, measurement technique(s) and inputs used):

Financial assets/financial liabilities	Fair value as at December 31		Fair value hierarchy	Measurement technique(s) and key inputs
	2024	2023		
Derivative financial assets:				
Foreign currency swap	465	–	Level 2	Future cash flows are measured on the basis of the information for foreign currency purchase-sale contracts: for purchase of foreign currency against UAH, the FOREX market exchange rate or the NBU's indicative is used, and for purchase-

(in thousands of hryvnias)

31. Fair value of financial instruments (continued)

Financial assets/financial liabilities	Fair value as at December 31		Fair value hierarchy	Measurement technique(s) and key inputs
	2024	2023		
				sale of foreign currency against foreign currencies, the exchange rates established in the international market according to REUTERS are used.
Investments in securities at fair value through other comprehensive income:				
Debt securities issued by foreign governments	336,789	448,544	Level 1	Quoted bid prices in an active market.
Debt securities issued by international financial organizations	–	247,005	Level 1	Quoted bid prices in an active market.
Government debt securities of Ukraine	1,538,727	519,055	Level 1	Quoted agreement bid prices in an active market.
Government debt securities of Ukraine	3,274,546	2,056,189	Level 2	Discounted cash flows. Future cash flows are measured by using the observable market data in respect of securities with similar characteristics with the help of the zero-coupon yield curve for government bonds based on the Svensson parametric model.

Derivative financial liabilities:

Financial assets/financial liabilities	Fair value as at December 31		Fair value hierarchy	Measurement technique(s) and key inputs
Foreign currency swap	208	2,120	Level 2	Future cash flows are measured on the basis of the information for foreign currency purchase-sale contracts: for purchase of foreign currency against UAH, the FOREX market exchange rate or the NBU’s indicative is used, and for purchase-sale of foreign currency against foreign currencies, the exchange rates established in the international market according to REUTERS are used.

As at 31 December 2024 and 2023, there were no transfers between levels of the fair value hierarchy.

Fair value measurements applied on a non-recurring basis. The Bank had no respective balances as at the reporting date.

(in thousands of hryvnias)

31. Fair value of financial instruments (continued)

Financial instruments not measured at fair value but for which fair value disclosure is required.

An analysis of fair value by fair value hierarchy level and the carrying value of assets and liabilities that are not measured at fair value and for which fair value differs from carrying value at the reporting date are presented below. Management believes that the carrying values of other financial assets and financial liabilities approximated their fair values.

	31 December 2024				31 December 2023			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS								
Loans and advances to customers at amortized cost								
Loans to legal entities	–	–	10,279,966	10,140,033	–	–	8,375,842	8,103,834
Loans to individuals	–	–	247,316	249,077	–	–	137,358	140,020
Investment securities at amortized cost								
Deposit certificates of the NBU	–	10,789,577	–	10,789,975	–	8,475,226	–	8,475,949
Debt securities issued by non-bank financial institutions (corporate)	–	–	299	399	–	–	–	–
TOTAL	–	10,789,577	10,527,581	21,179,484	–	8,475,226	8,513,200	16,719,803

The fair value by hierarchy level and the corresponding carrying value of liabilities not measured at fair value were as follows:

	31 December 2024				31 December 2023			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES								
Customer accounts								
Current accounts								
- current accounts of legal entities	–	21,525,052	–	21,525,052	–	16,934,514	–	16,934,514
- current accounts of individuals	–	4,416,968	–	4,416,968	–	3,499,206	–	3,499,206
Deposits								
- deposits of legal entities	–	2,258,992	162,339	2,418,241	–	2,313,693	109,445	2,423,931
- deposits of individuals	–	1,588,199	570,766	2,149,995	–	1,562,486	437,167	1,995,794
Subordinated debt								
Subordinated debt	–	–	319,042	325,227	–	–	255,966	291,697
TOTAL	–	29,789,211	1,052,147	30,835,483	–	24,309,899	802,578	25,145,142

(in thousands of hryvnias)

32. Related party transactions

The Bank grants loans, accepts deposits, and performs other transactions with related parties in the normal course of business. As a rule, parties are considered to be related if the parties are under common control or one of party has the ability to control the other or can exert significant influence over the other party in making financial and management decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The terms and conditions of transactions with related parties are determined at the time of the transaction. Related parties comprise major shareholders, entities under control by major shareholders, members of the Supervisory Board, members of the Management Board, and their immediate family members.

As at 31 December 2024, the outstanding related party balances were as follows:

	Major shareholders and their immediate family members	Companies controlled or significantly influenced by major shareholders	Key management personnel and their immediate family members	Other related parties-individuals
Loans and advances to customers	17	–	50	–
Other financial and other non-financial assets	20	2,465	24	–
Due to other banks	–	52,540	–	–
Customer accounts	69,751	1,937,142	76,658	3,279
Subordinated debt	325,227	–	–	–
Lease liabilities	1	8,225	1	–
Other financial and other non-financial liabilities	10,455	22,314	2,097	–
Loan commitments	33	–	257	–

Other related parties-individuals are represented by shareholders of the entities under control of major shareholders who may have an influence on business decisions of the Bank's shareholders.

As at 31 December 2024, the Bank had obligations payable to key management personnel and major shareholders in the form of a provision for unused vacations in the amount of UAH 12,552 thousand (as at 31 December 2023: UAH 8,481 thousand).

(in thousands of hryvnias)

32. Related party transactions (continued)

Income and expense items on related party transactions for 2024 were as follows:

	Major shareholders and their immediate family members	Companies controlled or significantly influenced by major shareholders	Key management personnel and their immediate family members	Other related parties-individuals
Interest income	1	–	1	–
Interest expense	(21 654)	(116 690)	(1 759)	(134)
Commission income	1 846	66 938	1 609	171
Commission expense	–	(24 290)	–	–
Gains/(losses) on modification and derecognition of financial instruments	–	328	–	–
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	–	–	–	–
Employee benefit expense	(133 540)	–	(28 056)	–
Other administrative and operating expenses	(2 383)	(609 360)	(313)	–
Other gains (losses)	–	2 685	–	–

Remuneration of key management personnel (the Management Board) and the Supervisory Board for 2024 included short-term employee benefits that included salary and bonuses payable in cash amounting to UAH 156,170 thousand (in 2023: UAH 160,533 thousand). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered relevant services.

As at 31 December 2023, the outstanding related party balances were as follows:

	Major shareholders and their immediate family members	Companies controlled or significantly influenced by major shareholders	Key management personnel and their immediate family members	Other related parties-individuals
Loans and advances to customers	11	–	30	–
Other financial and other non-financial assets	12	2,556	7	–
Due to other banks	–	232,676	–	–
Customer accounts	89,528	1,313,854	49,624	2,888
Subordinated debt	291,697	–	–	–
Lease liabilities	3	27,160	1	–
Other financial and other non-financial liabilities	7,259	–	1,309	–
Loan commitments	69	–	198	–

(in thousands of hryvnias)

32. Related party transactions (continued)

Income and expense items on related party transactions for 2023 were as follows:

	Major shareholders and their immediate family members	Companies controlled or significantly influenced by major shareholders	Key management personnel and their immediate family members	Other related parties-individuals
Interest income	2	–	1	–
Interest expense	(20,397)	(79,164)	(1,278)	–
Commission income	931	47,682	586	119
Commission expense	–	(14,310)	–	–
Gains/(losses) on modification and derecognition of financial instruments	–	(8)	–	–
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	–	–	1	–
Employee benefit expense	(141,812)	–	(24,922)	–
Other administrative and operating expenses	(1,224)	(269,115)	(800)	–
Other gains (losses)	–	765	–	–