Joint Stock Company
“ProCredit Bank”
Financial Statements

Year ended 31 December 2024
Together with Independent Auditors’ Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Management of Joint Stock Company "ProCredit Bank"
To the National Securities and Stock Market Commission

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Joint-Stock Company "ProCredit Bank" (identification code is 21677333, location: 107-A Beresteiskyi Avenue Avenue, Kyiv, 03115; further — the "Bank"), which comprise:

- statement of financial position as at 31 December 2024;
- statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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, its financial performance and cash flows for the year then ended, in accordance with the requirements of IFRS Accounting standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the law of Ukraine "On accounting and financial reporting in Ukraine" dated 16.07.1999 No. 996-XIV regarding the preparation of financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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' Code of Ethics for Professional Accountants (IESBA's Code) and ethical requirements applied in Ukraine to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA's Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for opinion.

Material uncertainty related to going concern

We draw attention to Note 3 to the financial statements, which describes events and conditions resulting from the military invasion into Ukraine by the Russian Federation that commenced on February 24, 2022 and is ongoing, the effects of which on the Bank's operations are unpredictable. As also stated in Note 3, these events or conditions, together with other matters described in this Note, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Bank's financial statements for the current period. These matters were considered in the context of our audit of the Bank's financial statements as a whole and were considered in forming our opinion thereon, and we do not express a separate opinion on these matters. In addition to the matter described in the “Material uncertainty related to going concern” section, we determined that the matter described below are key audit matters that should be included in our report.

Key audit matter	Description of audit procedures performed
1 Expected credit losses on loans and advances to customers	
Due to the materiality of the loans and advances to customers, which make up about 47% of the Bank's total assets, as well as in connection with the complexity of judgments that the Bank had to use for timely recognition and correct calculation of expected credit losses in accordance with IFRS 9 "Financial Instruments", we identified this issue as a key audit matter. The calculation of expected credit losses involves estimation techniques that use significant unobservable inputs and factors, as well as statistical modeling and expert judgment. These techniques are used to determine probability of default (PD), exposure at default (EAD) and loss given default (LGD) based on available historical data, forecast information and management judgment. Therefore, we believe that the impairment of loans to customers is associated with a significant risk of material misstatements in the financial statements. Information on expected credit losses on loans and advances to customers is presented in Note 32 "Allowance for expected credit losses on loans and advances to customers" and Note 43 "Customer credit risk" of the accompanying financial statements.	During our audit, we paid special attention to evaluating the assumptions used to determine key parameters and calculate expected credit losses (ECL) on loans and customer advances. Our audit procedures included an assessment of the methodology and models developed by the Bank to identify impairment and calculate provision for expected credit losses, including the impact of the war on changes in accounting estimates. In testing the ECL reserve, we analyzed the statistical models used, key inputs and assumptions, and the application of forecast information in calculating expected credit losses. For a sample of loans, which are measured individually, we analyzed assumptions about future cash flows and assessed the probability of possible scenarios. For the loans, selected by us, that are measured collectively, we have conducted a critical analysis of the PD, EAD and LGD parameters used by the Bank considering historical, current and forward-looking information and assessing whether the definition of default and the stages criteria applied consistently and appropriately. We also assessed the disclosure in the Bank's financial statements of information on the provision for expected credit losses on loans and advances to customers and credit risk management.

Other information

Management of the Bank is responsible for other information prepared as at and for the year ended 31 December 2024. Other information consists of the following reports:

- Management Report for 2024 (which also includes the Corporate Governance Report);
- Annual information of the Issuer of Securities for 2024, prepared in accordance with the requirements of the Regulation on disclosures by issuers of securities, approved by the Decision of the National Securities and Stock Market Commission dated 06.06.2023 No 608.

Our opinion on the Bank's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

Management Report

The Bank has prepared, but not yet issued, the Management Report for 2024. In the Management Report, we have not identified any material inconsistencies between the other information and the financial statements, or our knowledge obtained in the audit, or whether the other information appears to be materially misstated, and we have not identified any facts that should have been included in our independent auditor's report.

Annual information of the issuer of securities

The Company plans to prepare and publish the Annual Information of the Issuer of Securities for 2024 after the date of publication of this Independent Auditor's Report. Following receipt and review of the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement, we will communicate the matter further to those charged with governance.

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

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS Accounting Standards and the requirements of the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” dated 16.07.1999 No. 996-XIV in respect of financial statements preparation, and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibility 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's management.
- Conclude that management uses the going concern assumption as a basis for accounting and, based on the audit evidence obtained, conclude that there is significant uncertainty about events or conditions that would cast significant doubt on the Company's ability to continue as a going concern. If we conclude that 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 Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance the assertion that we have complied with the relevant ethical requirements for independence and inform them of all relations and other matters that could reasonably be considered influencing our independence, and, where applicable, of relevant preventive measures.

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

Report on the Requirements of Other Legislative and Regulatory Acts

The report on meeting the requirements of paragraph 4 of Article 14 of the Law of Ukraine "On Audit of Financial Reporting and Auditing Activity" dated 21.12.2017 No. 2258-VIII on the provision of additional information on the results of the mandatory audit of a public interest entity

- BDO LLC was appointed to perform this mandatory audit by Supervisory Board on 26 July 2024. The section "Report on the audit of the financial statements" of this independent auditor's report discloses information about the scope of the audit and the inherent limitations.
- The total duration of the mandatory audit engagement of the financial statements by BDO LLC is three years.
- In the “Material uncertainty related to the going concern” and “Key Audit Matters” sections of this report, we have disclosed matters that were of most significance in our audit of the current year's financial statements, and that, in our professional judgment, should also be addressed. These matters were considered as part of our audit of the financial statements taken as a whole and were included in the preparation of our opinion thereon, and we do not provide a separate opinion on these matters.
- During this statutory audit engagement, we did not identify any matters in respect of our audit estimates other than those described in the "Material uncertainty related to going concern" and "Key audit matters" sections of this report, which we consider appropriate to disclose in accordance with the requirements of paragraph 4.3 of Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities" dated 21.12.2017 No. 2258-VIII.

- The information contained in this independent auditor's report on the audit of the Bank's financial statements is consistent with the information in the additional report to the audit committee dated 22 April 2025.
- During 2024 and 2025, until the date of our independent auditor's report, BDO LLC provided to the Bank audit services regarding the 2024 reporting package and review of the interim reporting package, prepared for the purposes of consolidation and the review of the interim financial statements for the issue of shares. Also, BDO LLC carried out the first stage of the Bank's sustainability assessment according to the requirements of the National Bank of Ukraine as of 1 January 2025.
- BDO LLC and its key audit partner are independent in relation to the Bank according to the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA's Code). During the audit, we have not identified any additional facts or matters that could affect our independence and which we would like to draw your attention to. BDO LLC did not provide the Company with other services prohibited in accordance with the requirements of Article 6 of the Law of Ukraine "On audit of financial reporting and auditing activities" dated 21.12.2017 No. 2258-VIII, during 2023 and in the period from 1 January 2024 until the date of signing this independent auditor report.

Reporting on the requirements of p. 11 of Section IV "Instructions on the Procedure for Compiling and Publishing Financial Statements of Ukrainian Banks", approved by Resolution of the Board of the National Bank of Ukraine No. 373 of 24 October 2011, as amended (Instruction 373)

The Management Report was prepared in accordance with the requirements of Section IV of the Instruction 373). In connection with our audit of the Bank's financial statements, our responsibility, in accordance with the requirements of Clause 11 of Section IV of Instruction 373, is to review the Management Report (management report) and consider:

- consistency of the Management Report with the Bank's financial statements for 2024;
- compliance of the Management Report with the requirements of the law;
- the existence of significant inconsistencies in the Management Report and their nature.

We did not identified inconsistencies between the Management Report and the Bank's financial statements for 2024, and We did not identify any inconsistency of the Management Report with the requirements of the law regarding the order of its preparation. We have not identified any material misstatements in the Management Report. We also did not identify any facts that should be included in our independent auditor's report.

Report on the requirements of the National securities and stock market commission's (NSSMC) decision dated 22.07.2021 No. 555 "On approval of the Requirements for information related to the audit or review of financial statements of participants in capital markets and organized commodity markets supervised by the NSSMC"

Basic information about the terms of the audit contract

Contract No. 07/24A/7008 on the provision of audit services dated 28 October 2024. The audit was performed from 28 October 2024 to the date of this independent auditor report.

General information about the Bank

The name of the legal entity - Joint Stock Company "ProCredit Bank".

Information regarding the Bank's shareholder and the absence of the ultimate beneficiary owner of the Bank is provided in Note 2 to the financial statements in our opinion, correspond, in all material respects, to the information on the absence of the ultimate beneficial owners and the Bank's shareholder, disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Organizations.

As of 31 December 2024, the Bank is neither a controlling party, nor a member of non-banking financial group.

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

As of 31 December 2024, the Bank does not have subsidiaries, the Bank's parent company is ProCredit Holding AG, Germany.

The Bank is not a professional participant in the capital markets and organized commodity markets.

Reporting on the Corporate Governance Report

This information resulted from our procedures as part of the audit of the Bank's financial statements for 2024 and procedures on the Corporate Governance Report as part of the Management Report, as described in the Other Information section of this Independent Auditor's Report.

Based on the results of our audit procedures, considering the knowledge and understanding of the Company's activities formed during the audit, in all material aspects:

- The information required by paragraphs 1-4 of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" and subparagraphs 1-5 of paragraph 43 of Regulation 608 is disclosed in the Corporate Governance Report of the Company for 2024;
- In the Corporate Governance Report for 2024, in our opinion, disclosed the information required by paragraphs 5-9 of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" and subparagraphs 6-11 of paragraph 43 of Regulation 608. This information is consistent with that on corporate governance obtained by us during the audit and complies with the requirements of the applicable law.

The audit was performed under the supervision of the Key Audit Partner Oleg Volodymyrovych Malashchuk.

Key Audit Partner — O. V. Malashchuk

Registration Number in the Register of Auditors and Audit Entities: 101134

For and on behalf of BDO LLC

Director — S. O. Balchenko

Registration Number in the Register of Auditors and Audit Entities: 101086

ТОВ «БДО» • УКРАЇНА • м. Дніпро • Ідентифікаційний код 20197074 №1

Kyiv, 22 April 2025

In thousands of UAH	Note	2024	2023
Interest income	26	4,473,281	4,365,430
Interest expense	26	(1,983,286)	(2,109,168)
Net interest income		**2,489,995**	**2,256,262**
Fee and commission income	27	320,065	305,067
Fee and commission expense	27	(143,875)	(107,179)
Net fee and commission income		**176,190**	**197,888**
Gains less losses from dealing in foreign currencies		31,856	34,629
Gains less losses from foreign exchange translation		(5,631)	(2,694)
Other income (expenses)	28	4,150	(41,547)
Staff costs	28	(358,588)	(280,434)
Other administrative and operating expenses	28	(741,042)	(522,098)
Depreciation expenses		(49,897)	(48,761)
Impairment gains (losses) on financial assets	32	257,930	(75,982)
Profit before tax		**1,804,963**	**1,517,263**
Income tax expense	29	(908,715)	(668,697)
Profit (Loss) for the year		**896,248**	**848,566**
Components of other comprehensive income:			
Revaluation reserve fair value changes of FVOCI shares		1,041	-
Deferred tax on revaluation reserve of FVOCI shares		(260)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**781**	-
Total comprehensive income for the year		**897,029**	**848,566**

Approved for issue and signed on behalf of the Management Board on 22 April 2025.

Oleksandr Povshednyi
Chairman of the Management Board

Valerii Smolinskyi
Chief Accountant

In thousands of UAH	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	30	18,477,519	17,939,527
Loans and advances to customers	31, 32	20,059,445	18,216,821
Investment securities	33	3,499,349	823,918
Deferred income tax asset	29	465,878	487,250
Premises and equipment	34	272,004	246,084
Intangible assets		9,757	8,214
Other financial assets	35	263,310	171,481
Other non-financial assets	35	56,084	45,250
Assets held for sale	35	-	55,435
Total assets		**43,103,346**	**37,993,980**
LIABILITIES			
Due to other banks		12,566	11,813
Customer accounts	36	35,400,795	30,073,808
Other borrowed funds	37	1,851,362	2,982,445
Subordinated debt	39	-	884,411
Other financial liabilities	38	99,971	143,306
Other non-financial liabilities	38	80,258	66,180
Current income tax liabilities		797,239	744,787
Total liabilities		**38,242,191**	**34,906,750**
EQUITY			
Share capital	40	1,571,978	1,571,978
Share premium	40	113,845	113,845
Unregistered capital	40	876,896	-
Reserve funds	40	1,400,407	551,841
Retained earnings		897,248	849,566
Revaluation reserve of FVOCI securities		781	-
Total equity		**4,861,155**	**3,087,230**
Total liabilities and equity		**43,103,346**	**37,993,980**

Approved for issue and signed on behalf of the Management Board on 22 April 2025.

Oleksandr Povshednyi
Chairman of the Management Board

Valerii Smolinskyi
Chief Accountant

In thousands of UAH	Share capital	Share premium	Unregistered capital	Reserve funds	Revalua-tion reserves	(Deficit)/ Retained earnings	Total equity
Balance at 1 January 2023	**1,571,978**	**113,845**	**-**	**2,324,349**	**-**	**(1,771,508)**	**2,238,664**
Profit for the year	-	-	-	-	-	848,566	**848,566**
Loss coverage	-	-	-	(1,772,508)	-	1,772,508	-
Balance at 31 December 2023	**1,571,978**	**113,845**	**-**	**551,841**	**-**	**849,566**	**3,087,230**
Profit for the year	-	-	-	-	-	896,248	**896,248**
Other comprehensive income for the year	-	-	-	-	781	-	**781**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**781**	**896,248**	**897,029**
Capital increase (Note 40)	-	-	876,896	-	-	-	**876,896**
Distribution of Profit	-	-	-	848,566	-	(848,566)	-
Balance at 31 December 2024	**1,571,978**	**113,845**	**876,896**	**1,400,407**	**781**	**897,248**	**4,861,155**

Approved for issue and signed on behalf of the Management Board on 22 April 2025.

Oleksandr Povshednyi
Chairman of the Management Board

Valerii Smolinskyi
Chief Accountant

In thousands of UAH	Note	2024	2023
Profit (Loss) for the year		**896,248**	**848,566**
Adjustments for:			
Depreciation and amortisation, impairment of investment property	28	50,356	48,761
Allowance for expected credit losses on loans and advances to customers	32	(198,898)	163,340
Interest income	26	(4,473,281)	(4,365,430)
Interest expense	26	1,983,286	2,109,168
Foreign currency revaluation		5,631	2,694
Income tax expense	29	908,715	668,697
Other non-cash movements		28,728	30,535
Cash flows used in operating activities before changes in operating assets and liabilities		**(799,215)**	**(493,669)**
Increase / decrease in operating assets and liabilities:			
Loans and advances to customers		(382,706)	1,781,747
Other financial assets		(99,709)	815,781
Other non-financial assets		44,601	(64,704)
Due to other banks		753	7,690
Customer accounts		3,388,647	5,286,336
Other financial liabilities		(30,547)	84,239
Other non-financial liabilities		10,510	9,399
Net cash (used in) from operating activities before tax and interest		**2,132,334**	**7,426,819**
Interest received		4,486,409	3,747,228
Interest paid		(2,011,853)	(2,047,322)
Income tax paid		(834,891)	(25,785)
Net cash (used in) from operating activities after tax		**3,771,999**	**9,100,940**
Cash flows from investing activities			
Proceeds from repayment of investment securities (amortized cost)	33	670,691	-
Purchase of investment securities	33	(3,239,300)	(802,855)
Proceeds from disposal of premises and equipment, investment property and other non-financial assets		133	12,798
Acquisition of premises, equipment and intangible assets		(68,308)	(25,987)
Net cash used in investing activities		**(2,636,784)**	**(816,044)**

In thousands of UAH	Note	2024	2023
Cash flows from financing activities			
Proceeds from capital increase	40	876,896	-
Proceeds from other borrowed funds	37	-	110,000
Repayment of other borrowed funds	37	(1,171,139)	(2,789,108)
(Repayment) of subordinated debt	39	(874,958)	-
Payment of lease	38	(9,304)	(8,216)
Net cash from (used in) financing activities		**(1,178,505)**	**(2,687,324)**
Effect of exchange rate changes on cash and cash equivalents		581,282	487,486
Net changes in cash and cash equivalents		**537,992**	**6,085,058**
Cash and cash equivalents at the beginning of the year	30	**17,939,527**	**11,854,469**
Cash and cash equivalents at the end of the year	30	**18,477,519**	**17,939,527**

Approved for issue and signed on behalf of the Management Board on 22 April 2025.

Oleksandr Povshednyi
Chairman of the Management Board

Valerii Smolinskyi
Chief Accountant

A. Basis of Preparation

1) Compliance with International Financial Reporting Standards

JSC “ProCredit Bank” (“the Bank” or “ProCredit Bank”) prepares its financial statements according to International Financial Reporting Standards (“IFRS”) as issued by the IASB and the requirements of the Law of Ukraine “On accounting and financial statements in Ukraine” on preparation of financial statements.

Changes to accounting policies are described in Note 5.

2) Information about the Bank and Business Strategy

The Bank is located and operates in Ukraine. The Bank is a joint stock company of a private type (full official name according to the Bank’s charter effective as of the reporting date: Joint Stock Company “ProCredit Bank”).

The Bank is operating under a banking licence and a general licence to carry out foreign currency transactions No.195 issued by the National Bank of Ukraine (the “NBU”) on 13 October 2011. The Bank is a member of the Deposit Guarantee Fund (Certificate №131 issued on 8 November 2012).

As at 31 December 2024 the Bank’s immediate parent is ProCredit Holding AG (hereinafter - ProCredit Holding or the Group) holding 100% of the registered shares as at 31 December 2024 (Note 40). On 27 September 2023 ProCredit Holding changed its legal form from a limited liability company (KGaA) to a joint stock company (AG), resulting in a change of its name from ProCredit Holding AG & Co. KGaA to ProCredit Holding AG. As at 31 December 2024 the Federal Republic of Germany indirectly own 10.56% of the Bank’s registered shares (31 December 2023: 10.56%). Publicly available Group’s financial statements are produced by the Bank’s immediate parent company. As at 31 December 2024 and 2023, the Bank does not have ultimate beneficiary owner.

As at 31 December 2024 and 2023, the Bank is neither a controlling party, nor a member of banking or non-banking financial group. The Bank is a public interest entity in accordance with the Law of Ukraine “On accounting and financial statements in Ukraine”.

ProCredit Bank is development-oriented bank dedicated to supporting small, and medium-sized enterprises (SMEs) and private individuals, fostering economic growth and sustainable development. We are committed to delivering exceptional customer service that extends far beyond offering financial products. Our goal is to build strong, lasting partnerships with our clients by providing personalized advice and consistent support at every stage of their financial journey. We aim to work – on a long-term basis – with innovative, forward-looking companies with the greatest capacity for job creation and sustainable economic development. ProCredit Bank offers a comprehensive range of high-quality banking services related to financing, payments and deposits. All services are tailored in a flexible way to the needs of our business clients. This target client group reflects our commitment to contribute actively to economic development. We particularly support local manufacturing and agriculture focusing especially on green finance, such as investments in energy efficiency and renewable energies. As part of its strategic focus, the Bank sees a need to increase its exposure to the production and processing sectors in Ukraine with special focus on the companies engaged in export.

Private clients of different profile have access to our banking services. The Bank relies on a combination of convenience, transparency, profitability and security to attract new private customers. All four factors benefit from the bank’s strategic focus on digitalization of services. Our private clients value a reliable, transparent bank that offers straightforward and attractive deposit and account services accessible at any time through all relevant electronic channels.

The Bank aims to promote sustainable development in all its facets. Minimising our negative impact on the environment and proactively promoting a sustainable way of doing business is an integral part of our business strategy – not only in connection with our lending operations or the provision of financial services to our clients, but also in our own day-to-day operations as institutions. Sustainability is an important element of our corporate strategy.

In the recent years, the Bank has successfully increased the level of automation of regular transactions, and constantly increases the usage of electronic channels through e-Banking and the mobile application. This has enabled the Bank to position itself in the market as modern bank, as well as to capture significant efficiency gains and cost saving. Our target is to increase the use of electronic channels for all our clients and to maintain low dependency on our physical infrastructure. In 2024 we have actively onboarded private clients and legal entities online. We will further improve this service and work on additional integration with external services to increase range of functionality, efficiency, and security.

As at 31 December 2024 the Bank has 4 outlets throughout Ukraine and 4 stand-alone self-service zones. (2023: 4 outlets and 4 stand-alone self-service zones).

The Bank’s registered address is 107-A, Beresteiskyi Avenue, Kyiv, 03115, Ukraine.

3) Operating Environment of the Bank and Going Concern

Macroeconomic environment

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

The russian invasion of Ukraine in February 2022 has led to severe challenges for ProCredit Bank, creating a high-stress environment throughout 2023 and 2024. Despite these obstacles, the Bank has successfully maintained regular operations at a high level of performance, demonstrating resilience in the face of adversity. As of the latest reporting period, the Bank’s network, including its stand-alone 24/7 zones, remains fully operational. By leveraging a digital approach to everyday banking activities, the Bank has been able to quickly implement fully remote office models, ensuring the health and safety of both customers and employees. In alignment with NBU regulations on business continuity, the Bank also established duty branches in early 2023 - branches capable of operating without relying on the electricity grid.

The war has been a severe economic shock, continuing to affect Ukraine’s economy in 2024, despite a slight recovery. The Ukrainian economy has shown resilience, supported by significant international assistance and the ability of businesses and households to adapt to wartime conditions. According to the NBU’s estimates, Ukraine’s real GDP grew by 3.4% in 2024, although the pace of growth slowed compared to 2023. This deceleration can be attributed to smaller harvests, weaker-than-expected external demand, intensifying hostilities, Russia’s increased airstrikes, and the resulting electricity shortages. The ongoing high security risks have also limited the return of migrants and exacerbated labor shortages.

In December 2024, inflation accelerated to 12% year-on-year, surpassing the NBU’s previous forecast. This surge in consumer prices was driven largely by temporary factors, while underlying inflationary pressures also increased. Increasing service prices were driven by rising costs for raw materials, inputs, and electricity, as well as wage increases in the face of persistent labor shortages. However, in recent months, inflation growth has been somewhat tempered by a stronger UAH/EUR exchange rate, which has provided relief for Ukrainian imports.

Ukraine depends significantly on international support both in economic and military terms. International support remains crucial for financing the budget deficit and stabilizing the foreign exchange market. In 2024, Ukraine received USD 42 billion in loans and grants from international partners, which allowed the government to cover the budget deficit and the NBU to bolster foreign reserves, reaching an all-time high of USD 43.8 billion by the end of the year.

Given the banking sector’s excess liquidity and the ongoing budget deficit, the Ukrainian Parliament imposed another hike in the corporate income tax for financial institutions to 50% for 2024, which had retrospective tax application.

In 2024, Ukrainian banks successfully transitioned to a new three-tier regulatory capital structure, began setting aside capital to cover key risks (credit, market, and operational risks), and completed their first ICAAP capital adequacy assessment. These efforts have brought significant progress toward harmonizing domestic banking regulations with EU standards. The granting of EU candidate status to Ukraine in 2022 further supports the outlook for aligning Ukrainian regulatory frameworks with Basel recommendations.

Ukraine’s long-term FC IDR was downgraded to RD on August 13, 2024, following a missed Eurobond coupon payment.

The uninterrupted processing of payments and operation of bank branch networks contributed to maintaining the public trust to the banking system. Despite the war and massive missile attacks, payments of private and business clients are being performed without delays, and the banking sector undertakes further steps to strengthen its resilience and develop its technological infrastructure.

Despite external challenges, the Bank’s business strategy remains focused on risk management and navigating the complexities of the ongoing war.

As at the date that these financial statements are authorized for issue the Bank continues its operations taking into account restrictions introduced at the state level. As at the date that these financial statements are authorized for issue it is difficult to predict the time period and extent of military activities in Ukraine. Continuation of military activities and martial law may lead to the introduction of additional regulatory and administrative restrictions. Further, prolongation of military activities or massive missile attacks against Ukrainian infrastructure may result in resources shortages necessary to conduct the daily operating activities of the Bank. These conditions indicate the existence of significant uncertainty, which may cast significant doubt on the Bank’s ability to continue as a going concern as usual.

Going concern

The Bank's management has assessed its ability to continue as a going concern, given the uncertainty arising from the ongoing war in Ukraine. The war has caused and continues to cause significant adverse effects on the overall economy and, in particular, on the activity of the Bank's clients.

To evaluate the impact of the war on the Bank's operations and its capacity to remain a going concern, management has analyzed its assets by risk areas and updated financial forecasts and capital plans. These updates consider baseline and stress scenarios, with underlying assumptions through the date these financial statements were authorized for issue. While forecasting the war's duration is inherently uncertain, the Bank assumes that the war will persist at least until the end of 2025 in both scenarios.

The baseline scenario assumes that the macroeconomic and geopolitical environment will remain relatively unchanged, with the intensity and geographical spread of military actions staying at current levels. As businesses in Ukraine, including the Bank, have adapted to the war economy over the past three years, management considers the planned loan portfolio growth for 2025 to be within its acceptable risk appetite. This forecast is largely based on the improved quality of the Bank's loan portfolio, driven by some economic recovery and effective measures to address problem loans, including restructurings. In the baseline scenario, the Bank expects moderate growth in its deposit portfolio and funding from international financial institutions (IFIs) in local currency.

In contrast, the stress scenario anticipates further escalation of the war, significant depreciation of the local currency, and additional loan loss provisions resulting from a deterioration in the loan portfolio through the end of 2025. This scenario does not foresee additional funding or growth in customer deposits.

The Bank's capital projections, which factor in significant growth in loan loss provisions and sharp depreciation of the local currency due to the ongoing war, indicate a decline in regulatory capital adequacy ratios required by both the National Bank of Ukraine and the Capital Requirements Regulation in 2025. However, the ratios remain above the regulatory limits, providing sufficient buffers. Additionally, in 2024, the Bank converted subordinated debt from its parent company into Tier 1 capital, a move that will significantly strengthen its capital position once the shares are registered as statutory capital, thereby providing an added margin of safety essential for operating in an unpredictable environment.

The Bank earned a profit in 2024, with operational profitability (before impairment losses and taxes) slightly exceeding both 2023 results and 2024 projections. Management continues to closely monitor the situation regarding the development of the military conflict and its impact on the Bank's loan portfolio and profitability.
Based on these scenarios and analyses, the Bank's management concludes that the Bank has the ability to continue as a going concern for the foreseeable future, which is at least 12 months from the date these financial statements were authorized. Key considerations supporting this conclusion include:

- The Bank's assets have not been significantly damaged by military actions (Note 34).
- There are no indications of large-scale military actions approaching the Bank's business locations.
- The Bank has sufficient human resources to continue operations in the foreseeable future. Recruitment efforts resumed in 2023, restoring the pre-war staffing levels, and recruitment, training, and integration of new employees continued successfully in 2024.
- Management believes the Bank will have adequate financial resources to support ongoing operations, based on the developed baseline and stress scenarios, with continuous support from ProCredit Holding. The Bank is continuing its operations under current conditions.
- As of the date these financial statements were authorized for issue, the Bank is in compliance with liquidity and capital prudential ratios set by the NBU. Additionally, the NBU's regulation allowing banks to breach capital prudential ratios until the end of martial law remains in effect. Should there be further negative developments resulting in a breach of these ratios, the Bank's management has considered actions to mitigate the impact, such as reducing risk-weighted assets by favoring lower-risk financial instruments.
- As of the date these financial statements were authorized for issue, the Bank's management and shareholders do not intend to suspend or liquidate operations in Ukraine.
- According to agreements with international financial institutions, any material adverse change in the Bank's financial position could lead to early repayment of loans. The carrying value of loans with such clauses amounted to UAH 1,737,878 thousand as at 31 December 2024 (compared to UAH 2,872,288 thousand as at 31 December 2023), presented as other borrowed funds (Note 37). The Bank has received non-acceleration letters from four international financial institutions for liabilities of UAH 1,735,557 thousand as at 31 December 2024 (compared to UAH 2,869,882 thousand as at 31 December 2023), indicating that lenders will not exercise this right until September 2025. Any extension of this non-acceleration period after September 2025 is subject to further negotiations.

While the Bank’s management believes it is taking appropriate measures to maintain normal business operations, the ongoing military activities in Ukraine have already had a negative impact. The continuation of the war may lead to prolonged or additional administrative restrictions from the NBU, which could pose further challenges for the Bank. Specifically, this may result in additional impairment losses on the loan portfolio, depending on the duration of the war, further deterioration in borrowers’ financial performance, and their ability to repay loans.
These conditions, including the uncertainty surrounding the war and its potential duration, create material uncertainty that may cast significant doubt on the Bank’s ability to continue as a going concern. Therefore, the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

These financial statements were prepared on the basis of the principle of the going concern and does not contain any adjustments that would be necessary if the Bank could not continue its activities as a going concern. These financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from the management's assessment.

4) Use of Assumptions and Estimates

The Bank’s financial reporting and its financial result are influenced by accounting policies, assumptions, estimates, and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances.

Accounting policies and management judgements on certain items are especially critical for the Bank’s results and financial position due to their materiality. This applies to the following positions:

Impairment of financial assets

Loss allowances are established in an amount equivalent to the expected loss for all financial assets recognised at amortised cost, for all funding instruments recognised at fair value with changes in fair value reported in Other Comprehensive Income (FVOCI), and for loan commitments and financial guarantee contracts expected credit losses (“ECL”) are recorded in an approach with various stages.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements and significant assumptions are included in the following notes:

- Going concern – refer to Note 3.
- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 9 (i).
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 9 (iv), 43.
- Tax risks – refer to Note 47.

5) Changes in accounting policies

(a) Standards, amendments and interpretations that are already effective

- Amendments to IAS 1: “Classification of Liabilities as Current or Non-Current” and “Non-current Liabilities with Covenants” have a minor impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.
- Amendments to IFRS 16: “Lease Liability in a Sale and Leaseback” have a minor impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.
- Amendments to IAS 7 and IFRS 7: “Supplier Finance Arrangements”. Amendments are effective for annual periods beginning on or after 1 January 2024 and have no impact on our financial statements.

(b) Standards, amendments and interpretations issued but not yet effective

- Amendments to IAS 21: “Lack of Exchangeability” have no impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2025.
- Amendments to IFRS 9 and IFRS 7: “Classification and Measurement of Financial Instruments” have a minor impact on the financial statements with regard to additional disclosures on financial assets at fair value with changes in fair value recognised in other comprehensive income. The amendments effective for annual periods beginning on or after 1 January 2026.
- Annual improvements to IFRS (Volume 11) with amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 have a minor impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2026.
- Amendments to IFRS 9 and IFRS 7: “Contracts Referencing Nature-dependent Electricity” have no impact on the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2026.
- IFRS 18 “Presentation and Disclosure in Financial Statements” replaces IAS 1 and affects the presentation of the statement of profit or loss. This standard defines categories and subtotals for the statement of profit or loss. Furthermore, additional disclosure requirements for management-defined performance measures have been introduced and the guidelines on the aggregation and disaggregation of items have been expanded. There are no effects on the presentation of the statement of financial position or the statement of cash flows. IFRS 18 is effective for annual periods beginning on or after 1 January 2027.
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” will not have an impact on the financial statements. This standard is effective for annual periods beginning on or after 1 January 2027.

There was no early adoption of any standards, amendments and interpretations not yet effective.

6) Presentation and Functional Currency

The Bank’s functional and presentation currency is the national currency of Ukraine, the Ukrainian Hryvnia (UAH). Financial information is presented in UAH and rounded to the nearest thousand unless otherwise stated.

B. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise specified in *Changes in accounting policies* (Note 5).

7) Measurement Basis

These financial statements have been prepared under the historical cost basis, except that financial assets at fair value through profit or loss and investment securities at fair value through other comprehensive income (FVOCI).

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 in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

IFRS define a hierarchy of fair value determination which reflects the relative reliability of the various ways of obtaining a fair value:

(a) Active market: Quoted price (Level 1)

Use quoted prices of financial instruments in active markets. A market is regarded as active if market transactions with the asset or liability occur there sufficiently frequently and in sufficient volumes to ensure the ongoing availability of pricing information.

(b) Valuation technique using observable inputs (Level 2)

Use quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets or use valuation models where all significant inputs are observable.

(c) Valuation technique with significant non-observable inputs (Level 3)

Use valuation models where one or more significant inputs are not observable.

If possible, the Bank obtains fair values from quoted market prices; otherwise, the next best available measurement technique is applied. If observable market interest rates are not available, internal rates are used as an input for a discounted cash flow model. These internal rates reflect the cost of funds, taking into account foreign currency effects and maturities as well as a risk margin, e.g. Group Funding interest rates. Internal rates are regularly compared to those applied for third-party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

8) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated at the closing rate on the reporting date. Non-monetary items measured at historical cost denominated in foreign currency are translated at the exchange rate as of the date of initial recognition.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

The principal UAH rates of exchange used in the preparation of these financial statements are as follows:

Currency	31 December 2024, UAH	31 December 2023, UAH
1 US dollar (USD)	42.0390	37.9824
1 Euro (EUR)	43.9266	42.2079

As at the date that these financial statements are authorised for issue, 22 April 2025, the exchange rates are 41.3785 UAH to USD 1.00 and 47.7653 UAH to EUR 1.00.

9) Financial instruments

(i) Classification and measurement

Business model assessment

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Bank classifies its financial assets both according to their underlying business model and also their contractual terms from the point of Solely Payments of Principal and Interest (SPPI) criterion. Management determines the classification of financial assets and liabilities at initial recognition. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are not reclassified subsequent to their initial recognition.

Differentiation is made between the following business models: "hold to collect", "hold to collect and sell" and "other". Financial assets are assigned to the "hold to collect" business model if their objective is to collect contractual cash flows through interest and principal payments (SPPI). The balance sheet items allocated to this business model are: "Cash and cash equivalents", "Loans and advances to customers" (except for those loans and advances to customers that do not meet SPPI criterion), "Due from other banks" and "Other financial assets" (except for stated hereinafter).

"Derivative financial assets" are allocated to the "other" business model.
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Measurement categories

(a) Financial assets at amortised cost

A financial asset is classified as measured at amortised cost if the financial asset is not designated as at FVTPL, is allocated to the “hold to collect” business model and the contractual cash flows meet the SPPI criterion. Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets are recognised when the principal is advanced to the borrowers. These assets are initially recognised at fair value plus transaction costs; subsequently they are measured at amortised cost using the effective interest method. Amortised discounts are accounted for over the respective terms in Statement of Profit or Loss and Other Comprehensive Income under “Interest income calculated using the effective interest method” (Note 22).

(b) Financial assets at fair value with changes in fair value recognised in Other Comprehensive Income

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL: the asset is held within a “hold to collect or sell” business model and SPPI criterion if fulfilled.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

(c) Financial assets and financial liabilities at fair value through profit or loss

Financial assets held for trading or which are not classified in the “hold to collect” or “hold to collect and sell” business models are allocated to the “other” business model and recognised at fair value through profit or loss. This includes “derivative financial assets”. Only “derivative financial liabilities” are recognised as financial liabilities at fair value through profit or loss.

The Bank does not apply hedge accounting. Derivatives with a positive fair value at the balance sheet date are carried as financial assets and reported under “Derivative financial assets”. Derivatives with a negative fair value are carried as financial liabilities and are reported under “Derivative financial liabilities”.

Derivative financial instruments are initially recognised at fair value, and transaction costs are expensed in Statement of Profit or Loss and Other Comprehensive Income. Purchases and sales of derivative financial instruments are recognised on the trade date – the date on which the group commits to purchase or sell the instrument. Subsequently, the financial instruments are also carried at fair value. Gains and losses arising from changes in their fair value are immediately recognised in Statement of Profit or Loss and Other Comprehensive Income.

Derivative financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred legal rights and substantially all risks and rewards of ownership.

(d) Other financial liabilities at amortised cost

Other financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the debt instrument. Financial liabilities at amortised cost are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

(ii) Derecognition of financial assets and liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. In addition, when loans and receivables are restructured with substantially different terms and conditions, the original financial asset is derecognised and replaced with the new financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Bank currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank and all counterparties.

(iv) Impairment of Financial Assets

The Bank takes into account expected credit loss when recognising impairment. Except for purchased or originated credit-impaired assets ("POCI"), loss allowances are measured at initial recognition of the financial asset based on the potential expected credit loss at that time. According to the expected credit loss model in IFRS 9, loss allowances are recognised for expected credit losses which could result from default events of performing credit exposures within the next 12 months (Stage 1). For assets, whose credit risk has increased significantly since initial recognition (Stage 2) and for assets which are credit-impaired (Stage 3), IFRS 9 requires the recognition of loss allowances for the expected credit losses for the entire remaining maturity of the asset.

For the recognition of loss allowances, a three-stage model is used based on expected credit losses.

- Stage 1: All financial assets are generally classified as "Stage 1" at initial recognition. The Bank establishes loss allowances in an amount equivalent to the 12 month expected credit losses, insofar as there has not been a significant increase in credit risk since initial recognition.
- Stage 2: If the credit risk increases significantly, then "Stage 2" classification is assigned, and loss allowances are established in an amount equivalent to the lifetime expected credit losses.
- Stage 3: Defaulted financial assets are assigned to "Stage 3" and loss allowances are likewise established in an amount equivalent to the lifetime expected credit losses. For significant exposures, risk provisioning is determined on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Interest income is recognised at net book value (less loss allowances).

Financial assets which are already impaired at initial recognition ("POCI") are measured initially at fair value and without loss allowances. Regardless of future changes in the credit risk, POCI assets remain in POCI until their disposal.

For the "Other financial assets" position, except for guarantee deposits, loss allowances are established using the simplified approach. As a rule, loss allowances are recorded at initial recognition and on each subsequent reporting date in an amount equivalent to the expected credit losses during the total maturity period. For these generally short-term assets, the total maturity period has been set at 12 months.

Accounting policy for significant increase in credit risk, definition of default and credit impaired assets is presented in Notes 9 (iv), 43.

Inputs into measurement of Expected Credit Losses (ECLs)

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

  - Probability of default (PD)

The probability of a loan default within a certain period of time is derived from historical default events. These data include the time, type and amount of default as well as information about the characteristics of the customer from the internal risk classification system. The parameters differentiate the risk levels of exposures according to the customer segments. The Bank applies different PDs for business SME clients depending on risk classification and for non-SME clients/private clients depending on client type (business/private), restructuring status and exposure size. For Stage 3 100% PDs is applied. Business SME clients are those with total exposure (on and off balance) more than 50,000 EUR at the reporting date that have at least one contract with business purpose. Clients without business contract are considered as private clients. Statistical models were used to analyse the collected data and make forecasts for the expected PD based on scenarios for the development of the economic environment. In addition, the PDs over the remaining lifetime of an exposure are estimated.

- Loss Given Default (LGD)

The expected LGD is based on historical data about recoveries obtained from defaulted customers. LGDs are calculated as discounted cash flows, taking into account the cost of recovery and the size of the credit exposure. Estimated LGDs are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment. For the LGD estimates direct recovery cost data and repossessions history are considered. Direct recovery cost data includes cost data of all types related to the recovery process of defaulted credit exposures. Data on repossessed collateral contains detailed information on collateral repossession and sales. LGD is calculated separately for very small (up to 50,000 EUR), small (more than 50,000 EUR up to 250,000 EUR) and medium (above 250,000 EUR) exposures.

- Exposure at Default (EAD)

EAD is the expected exposure amount at the time of a loan default; it is derived from the currently outstanding receivable from the customer and possible future changes under the applicable contractual conditions. Thus, the EAD consists of the gross carrying amount at the time of default. For exposures with regular repayment plans, the modelled EAD is adjusted for the expected possibility of early repayment based on historical observations and on scenarios for the development of the economic environment and associated future forecasts. Based on historical data, estimates are made of the potential exposures that may arise in the future from the utilisation of existing credit commitments, such as credit lines or overdraft facilities. For financial guarantees, the EAD corresponds to the guaranteed amount; based on professional discretion, the conversion factor has generally been set at 100%.

For certain financial instruments, such as overdrafts and credit lines, that may include both a loan and an undrawn commitment component, the Bank measures expected credit losses over the period that the Bank is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions. This is because despite the contractual ability to demand repayment and cancel the undrawn commitment, the Bank continues to be exposed to credit risk until the expected credit losses are mitigated by credit risk management actions, and the credit risk is not limited by the contractual period of notice to the borrower with demand of loan repayment.

Forward-looking information

Under IFRS 9, the Bank incorporates forward-looking information into its assessment of its measurement of ECLs. This assessment is based on external information. Several macroeconomic quantities are investigated regarding their potential as a part of the PD model. The time series of macroeconomic factors applicable for Ukraine is taken from the IMF World Economic Outlook Database and the Economist Intelligence Unit (EIU) Database. In particular, at least the following quantities are considered for the specification of the PD models:

- Growth of the gross domestic product
- Percentage change of the inflation
- Unemployment rate.

These quantities reflect directly the development of the business cycle and are therefore valid potential inputs for a meaningful PD model.

Input data for the assessment of credit risk parameters are based on multi-year data histories for Bank's borrowers. The influence of customer-specific risk characteristics and macroeconomic factors on the selected parameters is determined through regression analysis. The relevant macroeconomic factors (GDP growth, inflation rate and unemployment rate) are selected on the basis of their statistical significance and economic relevance. For PDs and LGDs, a probability-weighted average value is calculated based on the various scenarios for the macroeconomic factors in the forecast year.

The hedge accounting requirements have not affected the financial statements as the Bank does not apply hedge accounting.

(v) Writing off loans and advances

When a loan is uncollectible and there is no reasonable expectation of recovery, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of deductions for loan impairment in profit or loss.

Typically, loan exposures up to EUR/USD 30,000 are written off after 360 days in arrears, in particular if they are not collateralised.

Loan exposures of more than EUR/USD 30,000 may be written off after 360 days in arrears unless the Bank decides to keep the credit exposure active, e.g. to allow for an on-going recovery process to finish. However, the Bank can decide to keep any size of credit exposure active if future recoveries can reasonably be expected. Typically, such loan exposures will then continue to be recognised until full recovery has been achieved or the Bank decides to write off the loan exposure.

(vi) Modification of financial assets and financial liabilities

Financial assets

Non-substantial modification

Non-substantial modification is a modification event that does not result in derecognition of the original asset. The effect is recognised through profit or loss as a modification gain or modification loss. The modification gain or loss is calculated as the difference between the original gross carrying amount and the present value of the modified contractual cash flows discounted at the original effective interest rate. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

In case of change of contractual terms of a financial instrument to reflect a change in market rates of interest because the borrower has an option to repay without significant penalty combined with its ability to obtain alternative financing at market rates from other financial market participants, such a change is not treated as modification. In these cases, a new effective interest rate is applied prospectively from the contract modification date.

Substantial modification

When financial instruments are restructured with substantially different terms and conditions, the original financial asset is derecognised and replaced with the new financial asset. The terms are substantially different if the discounted present value of the cash flows under the new terms and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset. If a modification is substantial and the original asset is credit-impaired, the existing financial asset will be derecognised and a “new POCI” financial asset in Stage 3 is recognized at its fair value. The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial for impaired assets, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank concludes that the modification is substantial as a result of the following qualitative factors: change the currency of the financial asset and change of the borrower.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. Bank performs an evaluation of whether the modification is substantial considering qualitative factors and quantitative factors. Substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

***(vii)* Assets acquired in exchange for loans (repossessed property)**

On the date of foreclosure any collateral received is initially measured based on the carrying amount of the defaulted loan. Subsequently these assets are stated at cost less impairment.

(viii) Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision.

10) Comparatives

In order to comply with the requirements of IFRS and to meet the objective of providing information that is useful in making economic decisions, the Bank can adjust the corresponding figures to conform to the presentation of the current year amounts.

11) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash balances with the National Bank of Ukraine (including mandatory reserves in the National Bank of Ukraine), deposit certificates issued by the National Bank of Ukraine, correspondent accounts and overnight placements with other banks and other money market instruments that are highly liquid and readily convertible to known amounts of cash with insignificant risk of changes in value.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

12) Loans and advances to customers

Loans and advances to customers’ caption in the statement of financial position include:

- loans to customers measured at amortised cost (see Note 9(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans to customers mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion (see Note 9)(i)); these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

Loans to customers also included finance lease receivables in which the Bank was the lessor.

13) Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at cost, less provision for impairment where required. Upon completion, assets are transferred to premises and leasehold improvements at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At each reporting date, management assesses whether there is any indication of impairment of premises and equipment. An impairment of premises and equipment is recognized if there is evidence of a possible loss of economic benefit, namely: there have been (or will happened in the near future) significant changes in the use of the object, because of the negative impact of both external (technological, market, economic, legal) and internal (cessation of operation, restructuring, liquidation of the asset before the previously expected date, etc.) factors. 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 recognised in profit or loss. An impairment loss recognised 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 disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation of premises, leasehold improvements and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives on the following basis (in years):

Buildings	20
IT and other equipment	3-5
Furniture and fittings	4-7
Leasehold improvements	over the lower of: term of the underlying lease or term of useful life

Depreciation of premises, leasehold improvements and equipment starts when an asset is available for use.

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 each reporting date.

14) Investment property

Investment property is a building or a part of building held to earn rental income or for capital appreciation and which is not used by the Bank or held for the sale in the ordinary course of business.

As at 31 December 2024 and 31 December 2023 there were no assets in the Bank’s ownership, which fell under the definition of investment property.

15) Intangible Assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 10 years.

16) Leases

The Bank as the lessee

At contract begin, the Bank assesses whether the agreement constitutes or contains a lease. This is the case when the agreement grants the right to control the use of an identified asset for a specified period of time in return for a fee. The Bank uses the option to account for each leasing component and all related non-leasing components as a single leasing component.

The Bank recognises an asset for the right of use granted as well as a lease liability on the date of provision. The right of use is recognised at acquisition costs. These include the amount of the lease liability, plus all lease payments made at or before provision, initial direct costs and estimated dismantling and removal costs, less any incentives received. The right of use is amortised on a straight-line basis until the end of the lease term. Any impairment losses are also taken into account. The lease liability is recognised at the present value of the lease payments not yet made at that time. The lease payments are discounted at the lessee's incremental borrowing rate of interest. They are subsequently measured at amortised cost using the effective interest method.

Short-term leases or leases based on assets of minor value are not recognised in the balance sheet; instead, the lease payments are recognised under administrative expenses in the profit or loss statement over the term of the lease.

The Bank as the lessor

Finance leases
When assets are held subject to a finance lease, the present value of the minimum lease payments is recognised as a receivable from customers under “Loans and advances to customers”. Payments received under leases are divided into an amortisation component and an income component. The income component is recognised under “Other interest income”. Premiums received are recognised over the term of the lease using the effective interest rate method under “Other interest income”.

17) Income tax

Income taxes have been provided for in the financial statements in accordance with Ukrainian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss unless it is recognised directly in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income.

On November 30, 2024 changes into the Tax Law of Ukraine regarding taxation of banks came into force. The Law introduced an increase of income tax rates for banks only from 25% to 50% for income received as results of the 2024 reporting year and 25% starting from January 1, 2025. The effect from changes in tax law on financial position of the Bank is disclosed in the Note 29.

Current tax
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. Taxes, other than on income, are recorded within “administrative and other operating expenses”.

Deferred tax
Deferred income tax is provided using the 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 balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. 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 utilised.

18) Due to other banks, Customer accounts and Other borrowed funds

Due to other banks, Customer accounts and Other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method (see Note 22).

19) Provisions for Liabilities and Charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

20) Financial Guarantee Contracts and Loan Commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss which it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

For loan commitments: the Bank recognises a loss allowance (see Note 9 (iv)).

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows: at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liabilities arising from financial guarantees and loan commitments are included within “Other financial liabilities and provisions for legal proceedings”.

21) Share Capital and Reserve fund

Ordinary shares and non-redeemable preference shares are both 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. Excess of fair value of consideration received on nominal value of issued shares is accounted as share premium.

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank’s sole shareholder.

Reserve fund is built as a part of the bank’s total capital for coverage of unforeseen losses on all asset items and off-balance sheet liabilities. The reserve is formed through charges from net profit for the reporting year retained by the Bank after taxes, paid dividends and retained earnings for previous years.

22) Interest Income and Expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than POCI assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For POCI assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The ‘gross carrying amount of a financial asset’ measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 43.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost.

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest expense on financial liabilities measured at amortised cost.

23) Fee and Commission Income and Expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 22).

Other fee and commission income is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

24) Segment Reporting

In 2024 the Bank operated mostly in one major sector of banking activity – full service to small and medium clients, including account service, term deposits and saving accounts, term loans, credit lines, business overdrafts and other forms of financing.

During 2024, the Bank continued providing a full range of services to small and medium-sized businesses, including customer service, time deposits and medium accounts, term loans, credit lines, overdrafts and other forms of financing. Private client services (lending and deposit mobilisation) in 2024 were provided to profile customers, which are eligible according to business strategy criteria. Lending to private clients was limited due to challenging external environment, only overdrafts were provided. In terms of economic risk, all business and private loan clients are located in Ukraine.

All above considered, segment analysis is not presented in the financial statements of the Bank. The Bank has no customers making more than 10% of the Bank's revenues.

25) Staff Costs and Related Contributions

Wages, salaries, unified social tax contributions, annual leave and sick leave, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

C. Notes to the Statement of Profit of Loss and Other Comprehensive Income

26) Interest Income and Expense

	Note	2024	2023
Interest income, calculated using the effective interest method			
Loans and advances to customers		3,033,568	3,156,583
Cash and cash equivalents – Deposit certificates issued by the NBU		947,438	878,723
Cash and cash equivalents - Overnight placements with other banks		354,298	287,226
Investment securities	33	137,977	42,528
Other interest income			
Loan and advances to customers		-	370
Total interest income		**4,473,281**	**4,365,430**
Interest expense			
Customer accounts		(1,623,800)	(1,489,394)
Other borrowed funds	37	(260,395)	(535,040)
Interest expenses for leases (as lessee)		(1,458)	(550)
Subordinated debt	39	(97,633)	(84,184)
Total interest expense		**(1,983,286)**	**(2,109,168)**
Net interest income		**2,489,995**	**2,256,262**

Interest income and expense arising from transactions with related parties are disclosed in Note 48.

Interest income at amount of UAH 4,473,281 thousand (2023: UAH 4,365,060 thousand) is recognized for financial instruments measured at amortized cost and calculated using the effective interest rate method.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

27) Fee and Commission Income and Expense

	2024	2023
Fee and commission income		
Foreign currencies exchange operations	138,408	128,327
Settlement and cash transactions	132,299	132,357
Card transactions	43,613	38,168
Other	5,745	6,215
Total fee and commission income	**320,065**	**305,067**
Fee and commission expense		
Settlement and cash transactions	(100,107)	(70,615)
Card transactions	(43,768)	(36,564)
Total fee and commission expense	**(143,875)**	**(107,179)**
Net fee and commission income	**176,190**	**197,888**

Fee and commission expense arising from transactions with related parties are disclosed in Note 48.

28) Staff expenses, Other Administrative and Operating Expenses, Other Income (Expenses)

Staff expenses comprise the following:

	2024	2023
Salaries	(287,034)	(228,786)
Social security contribution	(65,105)	(45,965)
Other staff payments	(6,449)	(5,683)
Total staff expenses	**(358,588)**	**(280,434)**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Other administrative and operating expenses are disclosed below.

	2024	**2023**
Expenses for IT services	(312,383)	(210,208)
Expenses to Deposits insurance fund	(85,172)	(72,106)
Taxes other than on income	(76,572)	(55,812)
Advertising, marketing and entertainment	(60,235)	(28,302)
Management fee	(56,872)	(46,962)
Business travel, training expenses	(35,994)	(23,709)
Professional services	(33,430)	(23,977)
Mail and telecommunications	(27,065)	(17,969)
Office expenses	(16,521)	(14,119)
Security and insurance services	(15,689)	(10,179)
Repair and maintenance	(8,982)	(6,867)
Operating lease expense for premises	(1,841)	(1,351)
Other	(10,286)	(10,537)
Total administrative and other operating expenses	**(741,042)**	**(522,098)**

Other income (expenses) are disclosed below.

	2024	**2023**
Income from reversals of provisions	3,570	-
Income from litigation settlements	1,484	458
Gains from derecognition of loans to customers	783	-
Income from disposal of Premises and Equipment	316	-
Income from sale of repossessed properties	-	53
Income from non-significant modification	-	1,535
Other income	1,162	471
Total other income	**7,315**	**2,517**
Expenses from non-significant modification	(2,230)	-
Expenses for impairment of repossessed properties	(935)	(10,065)
Losses from derecognition of loans to customers	-	(18,006)
Expenses from disposal of Premises and Equipment	-	(15,993)
Total other expenses	**(3,165)**	**(44,064)**
Total other income / (expenses)	**4,150**	**(41,547)**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

29) Income Taxes

Income tax expense comprises the following:

	2024	2023
Current tax expense	(887,603)	(770,372)
Deferred tax credit / (expenses)	(21,112)	(34,755)
Effect on deferred tax asset due to tax rate change	-	136,430
Income tax expense for the year	**(908,715)**	**(668,697)**

The income tax rate applicable to the Bank’s income in 2024 is 50% (2023: 50%). Reconciliation between the expected and the actual income tax expense is provided below.

	2024	2023
Profit before tax	**1,804,964**	**1,517,263**
Theoretical tax expense at the statutory rate 50% (2023: 50%)	(902,482)	(758,632)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Items unrecognised in tax accounting	8,005	6,873
Tax effect in unrecognised deferred tax assets	(14,238)	(53,368)
Tax effect in tax base	-	136,430
Income tax expense for the year	**(908,715)**	**(668,697)**

The tax effect of the movements in temporary differences in 2024 is detailed below and is recorded at the anticipated rates mentioned above.

	1 January 2024	Profit or Loss	Other comprehensive income	31 December 2024
Tax effect of deductible/(taxable) temporary differences:				
Premises, leasehold improvements and equipment	13,974	(11,235)	-	2,739
Assets held for sale (repossessed property)	27,613	(8,441)	-	19,172
Other accrued expenses and provisions	1,436	(1,436)	-	-
Tax loss carried forward	444,227	-	-	444,227
Revaluation reserve of FVOCI securities	-	-	(260)	(260)
Net deferred tax asset	**487,250**	**(21,112)**	**(260)**	**465,878**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

The tax effect of the movements in these differences in 2023 is detailed below and is recorded at the anticipated rates mentioned above.

	1 January 2023	**Profit or Loss**	**31 December 2023**
Tax effect of deductible/(taxable) temporary differences:			
Correspondent accounts and overnight placements with other banks	4,648	(4,648)	-
Loans and advances to customers	6,654	(6,654)	-
Premises and equipment	40,753	(26,779)	13,974
Assets held for sale (repossessed property)	6,895	20,718	27,613
Other accrued expenses and provisions	6,782	(5,346)	1,436
Tax loss carried forward	319,843	124,384	444,227
Net deferred tax asset	**385,575**	**101,675**	**487,250**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

D. Notes to the Statement of Financial Position

30) Cash and Cash Equivalents

	2024	**2023**
Cash on hand	205,702	212,525
Cash balances with the NBU	6,241,872	3,488,584
Correspondent accounts and overnight placements with other banks		
- Ukraine	43,902	22,961
- Other countries	7,390,832	8,917,275
Deposit certificates of the NBU	4,622,505	5,341,942
Loss allowance for expected credit losses on cash on hand, cash balances with the NBU and deposit certificates of the NBU	(7,428)	(22,292)
Loss allowance for correspondent accounts and overnight placements with other banks	(19,866)	(21,468)
Total cash and cash equivalents	**18,477,519**	**17,939,527**

Mandatory reserve on a correspondent account with the NBU can be used by the Bank without restrictions. Therefore, the total amount on correspondent account with the NBU is presented within cash and cash equivalents.

The credit quality of cash and cash equivalents except for cash on hand balances and loss allowances as at 31 December 2024 may be summarised based on the lowest of the ratings assigned to the counterparties by the international rating agencies (Fitch and S&P) as follows:

	Cash balances with the NBU	**Correspondent accounts and overnight placements with other banks**	**Deposit certificates of the NBU**	**Total**
National Bank of Ukraine	6,241,872	-	4,622,505	**10,864,377**
AA- rated	-	464	-	**464**
BBB rated	-	7,370,518	-	**7,370,518**
CCC- rated	-	43,902	-	**43,902**
Unrated	-	19,850	-	**19,850**
Total cash and cash equivalents, excluding cash on hand	**6,241,872**	**7,434,734**	**4,622,505**	**18,299,111**

The credit quality of cash and cash equivalents except for cash on hand balances and loss allowances as at 31 December 2023 may be summarised based on the lowest of the ratings assigned to the counterparties by the international rating agencies (Fitch and S&P) as follows:

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

	Cash balances with the NBU	Correspondent accounts and overnight placements with other banks	Deposit certificates of the NBU	Total
National Bank of Ukraine	3,488,584	-	5,341,942	**8,830,526**
AA- rated	-	197	-	**197**
BBB rated	-	8,895,628	-	**8,895,628**
CCC- rated	-	22,961	-	**22,961**
Unrated	-	21,450	-	**21,450**
Total cash and cash equivalents, excluding cash on hand	**3,488,584**	**8,940,236**	**5,341,942**	**17,770,762**

As at 31 December 2024, Ukraine’s sovereign local currency long term issuer default rating assigned by Fitch was CCC (31 December 2023: CC).

Movements in the allowance for expected credit losses on central bank balances, including mandatory reserves and deposit certificates, during 2024 are as follows:

Loss allowance Central bank balances and deposit certificates	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**(22,292)**		**-**	**(22,292)**
New financial assets originated	(7,061)	-	-	(7,061)
Release due to derecognition	21,925	-	-	21,925
Transfers between stages	-	-	-	-
Increase/Decrease in PD/LGD/EaD	-	-	-	-
Balance at 31 December 2024	**(7,428)**	**-**	**-**	**(7,428)**

As of 31 December 2024 the bank changed the methodology of loss allowances calculation on exposure towards the sovereign of Ukraine. The Bank’s exposure towards sovereign of Ukraine is exclusively held in local currency and thus not affected by the Fitch long-term Foreign Currency IDR rating revision. Therefore, as of 31 December 2024 Fitch long-term Local Currency IDR assigned to exposure towards the sovereign of Ukraine for loss allowances calculation.

Movements in the allowance for expected credit losses on central bank balances, including mandatory reserves and deposit certificates, during 2023 were as follows:

Loss allowance Central bank balances and deposit certificates	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**(739)**	**(48,505)**	**-**	**(49,244)**
New financial assets originated	(120,329)	-	-	(120,329)
Release due to derecognition	98,776	48,505	-	147,281
Transfers between stages	-	-	-	-
Increase/Decrease in PD/LGD/EaD	-	-	-	-
Balance at 31 December 2023	**(22,292)**	**-**	**-**	**(22,292)**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Movements in the allowance for expected credit losses on correspondent accounts and overnight placements with other banks during 2024 are as follows:

Loss allowance loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	**(18)**	**-**	**(21,450)**	**(21,468)**
New financial assets originated	-	-	-	-
Release due to derecognition	-	-	-	-
Transfers between stages	-	-	-	-
Increase/Decrease in PD/LGD/EaD	4	-	-	4
Foreign exchange movements	(2)	-	1,600	1,598
Balance at 31 December 2024	**(16)**	**-**	**(19,850)**	**(19,866)**

Movements in the allowance for expected credit losses on correspondent accounts and overnight placements with other banks during 2023 are as follows:

Loss allowance loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	**(13)**	**-**	**(25,824)**	**(25,837)**
New financial assets originated	-	-	-	-
Release due to derecognition	-	-	-	-
Transfers between stages	-	-	-	-
Increase/Decrease in PD/LGD/EaD	(4)	-	-	(4)
Foreign exchange movements	(1)	-	4,374	4,373
Balance at 31 December 2023	**(18)**	**-**	**(21,450)**	**(21,468)**

Stage 3 balance includes loss allowances on balances on nostro account in RUB in russian federation, which are classified as defaulted and 100% provisioned as at 31 December 2024 and as at 31 December 2023.

As at 31 December 2024 cash and equivalents are classified in Stage 1 as there were no signs of impairment of these assets.

Currency and maturity analyses of cash and cash equivalents are disclosed in Note 44. Refer to Note 46 for the estimated fair value of each class of cash and cash equivalents. Related party balances are disclosed in Note 48.

31) Loans and Advances to Customers

Loans and advances to customers as at 31 December 2024 are as follows:

	Gross amount	Allowance for expected credit losses	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	22,100,558	(2,242,994)	19,857,564	99.0%	3,948	89.6%
Private loans	224,392	(22,511)	201,881	1.0%	456	10.4%
Total	**22,324,950**	**(2,265,505)**	**20,059,445**	**100.0%**	**4,404**	**100.0%**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Category Private loans includes loans to private individuals for consumer purposes and mortgage loans.

Loans and advances to customers as at 31 December 2023 are as follows:

	Gross amount	Allowance for expected credit losses	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	20,731,190	(2,719,230)	18,011,960	98.9%	3,503	92.4%
Private loans	234,266	(29,405)	204,861	1.1%	287	7.6%
Total	**20,965,456**	**(2,748,635)**	**18,216,821**	**100.0%**	**3,790**	**100.0%**

Economic sector risk concentrations in the customer loan portfolio are as follows:

	2024		2023	
	Amount	**%**	**Amount**	**%**
Agriculture and food industry	9,656,022	43	10,194,314	49
Manufacturing	7,167,348	32	5,937,902	28
Trade	3,540,263	16	3,159,444	15
Services	838,590	4	786,485	4
Transport and communication	898,335	4	653,045	3
Individuals	224,392	1	234,266	1
Total loans and advances to customers, gross	**22,324,950**	**100**	**20,965,456**	**100**

The table below represents movements in the loans and advances to customers at amortised cost during 2024:

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Balance at 1 January 2024	8,263,394	11,176,516	1,508,790	16,637	20,965,337
Transfer to Stage 1	3,209,076	(3,209,076)	-	-	-
Transfer to Stage 2	(8,832,409)	8,939,523	(107,114)	-	-
Transfer to Stage 3	(930)	(339,693)	340,623	-	-
Net remeasurement of gross amount	9,872,425	(8,010,528)	(556,260)	(6,493)	1,299,144
Write-offs	-	-	(464,934)	(5,683)	(470,617)
Increase of loss allowance to reflect accumulated contractual interest	-	-	62,496	1,039	63,535
Foreign exchange and other movements	117,407	318,464	30,840	840	467,551
Balance at 31 December 2024	**12,628,963**	**8,875,206**	**814,441**	**6,340**	**22,324,950**

The table below represents movements in the loans and advances to customers at amortised cost during 2023:

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Balance at 1 January 2023	12,459,346	7,690,883	2,687,678	40,146	22,878,053
Transfer to Stage 1	4,898,318	(4,864,223)	(34,095)	-	-
Transfer to Stage 2	(13,701,840)	13,807,605	(105,765)	-	-
Transfer to Stage 3	(46,352)	(618,772)	665,124	-	-
Net remeasurement of gross amount	4,550,315	(5,097,276)	(743,228)	(18,643)	(1,308,832)
Write-offs	-	(5,346)	(1,197,340)	(7,464)	(1,210,150)
Increase of loss allowance to reflect accumulated contractual interest	-	-	212,333	2,152	214,485
Foreign exchange and other movements	103,608	263,645	24,083	446	391,781
Balance at 31 December 2023	**8,263,395**	**11,176,516**	**1,508,790**	**16,637**	**20,965,337**

Refer to Note 46 for the estimated fair value of loans and advances to customers.

Currency and maturity analyses of "loans and advances to customers" are disclosed in Note 44. The information on related party balances is disclosed in Note 48.

The net deferred income from modification of financial assets was UAH 814 thousand as of 31 December 2024 (31 December 2023: UAH 175 thousand). Balance value of modified financial assets as at 31 December 2024 was UAH 138,459 thousand (31 December 2023: UAH 411,223 thousand).

32) Allowance for Expected Credit Losses on Loans and Advances to Customers

Movements in the allowance for expected credit losses on loans and advances to customers at amortised cost during 2024 are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Balance at 1 January 2024	294,214	1,198,479	1,241,638	14,304	2,748,635
Transfer to Stage 1	128,224	(128,224)	-	-	-
Transfer to Stage 2	(330,515)	358,363	(27,848)	-	-
Transfer to Stage 3	(40)	(140,046)	140,086	-	-
Net remeasurement of loss allowance	426,591	(283,419)	(291,186)	(8,524)	(156,538)
Write-offs and sales	-	-	(464,934)	(5,683)	(470,617)
Increase of loss allowance to reflect accumulated contractual interest	-	-	62,496	1,039	63,535
Foreign exchange and other movements	5,839	52,882	21,734	35	80,490
Balance at 31 December 2024	**524,313**	**1,058,035**	**681,986**	**1,171**	**2,265,505**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Movements in the allowance for expected credit losses on loans and advances to customers at amortised cost during 2023 are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortised cost					
Balance at 1 January 2023	318,890	930,812	2,273,035	15,824	3,538,561
Transfer to Stage 1	127,819	(127,356)	(463)	-	-
Transfer to Stage 2	(390,539)	393,341	(2,802)	-	-
Transfer to Stage 3	(1,852)	(125,492)	127,344	-	-
Net remeasurement of loss allowance	233,191	84,888	(188,671)	3,439	132,847
Write-offs and sales	-	(5,346)	(1,197,340)	(7,464)	(1,210,150)
Increase of loss allowance to reflect accumulated contractual interest	-	-	212,333	2,152	214,485
Foreign exchange and other movements	6,705	47,632	18,202	353	72,892
Balance at 31 December 2023	**294,214**	**1,198,479**	**1,241,638**	**14,304**	**2,748,635**

As at 31 December 2024 loans and advances to customers comprise UAH 11,321,592 thousand (31 December 2023: UAH 10,019,692 thousand) of loans granted during 2024, or 51% of the loan portfolio (31 December 2023: 48%). Allowance for ECL on these loans as at 31 December 2024 amounted to UAH 537,247 thousand (31 December 2023: UAH 544,576 thousand).

During 2024 the Bank has written off and sold UAH 470,617 thousand of impaired loans (2023: UAH 1,210,150 thousand). The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2024 and that are still subject to enforcement activity is UAH 259,529 thousand (2023: UAH 1,037,849 thousand).

Impairment losses (gains) on financial assets during 2024 and 2023 are presented as follows:

	2024	2023
Allowance for expected credit losses on loans and advances to customers	(156,538)	132,847
Recoveries from written-off loans	(59,032)	(87,358)
Cash and cash equivalents	(16,466)	(31,321)
Investment securities at amortized cost	2,117	17,950
Loss allowances on contingencies and commitments	(37,491)	70,856
Other financial assets	9,480	(26,992)
Total	**(257,930)**	**75,982**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

33) Investment securities

	2024	2023
Securities carried at amortised cost		
Government bonds (CC rated)	882,176	425,970
German government bonds (AAA rated)	1,327,976	414,952
French government bonds (AA- rated)	436,446	-
USA government bonds (AA+ rated)	870,802	-
Loss allowances	(20,067)	(17,950)
Total securities at amortised cost	**3,497,333**	**822,972**
Securities carried at FVOCI		
Equity participation shares	2,016	946
Total investment securities	**3,499,349**	**823,918**

Movements in the gross carrying amount of securities carried at amortised cost during 2024 are as follow:

	Note	2024	2023
Balance at 1 January		**840,922**	**-**
New assets purchased		3,239,300	802,644
Interest income	26	137,977	42,528
Interest received		(80,677)	(39,303)
Foreign exchange movements		11,229	32,454
Derecognition of assets (repayment)		(670,691)	-
Other non-cash movements		39,340	2,599
Balance at 31 December		**3,517,400**	**840,922**

Movements in the allowance for expected credit losses on securities carried at amortised cost during 2024 are as follows:

	Stage 1
Balance at 1 January 2024	**(17,950)**
New assets originated	(20,117)
Release due to derecognition	12
Foreign exchange movements	858
(Increase) / Decrease in PD/LGD	17,130
Balance at 31 December 2024	**(20,067)**

Movements in the allowance for expected credit losses on securities carried at amortised cost during 2023 are as follows:

	Stage 1
Balance at 1 January 2023	**-**
New assets originated	(17,949)
Release due to derecognition	-
Foreign exchange movements	(1)
Balance at 31 December 2023	**(17,950)**

The information on weighted average interest rates on investment securities is disclosed in Note 44.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

34) Premises and Equipment

The changes in premises and equipment are as follows:

	Note	Land and buildings	ROU assets	Leasehold impro-vements	Assets under construction	Furniture and fixtures	IT and other equipment	Total
Cost at 1 January 2023		403,520	22,232	21,707	30,764	65,151	136,214	**679,588**
Accumulated depreciation		(219,807)	(15,898)	(16,961)	-	(34,353)	(109,225)	**(396,244)**
Net book value as at 1 January 2023		**183,713**	**6,334**	**4,746**	**30,764**	**30,798**	**26,989**	**283,344**
Additions		1,565	12,771	-	5,479	286	14,524	**34,625**
Transfers at historical cost		(11,135)	-	11,135	-	332	(332)	**-**
Transfers of accumulated depreciation		2,156	-	(2,156)	-	(332)	332	**-**
Disposals at historical cost		(66,071)	-	-	-	(697)	(11,867)	**(78,635)**
Disposals of accumulated depreciation		40,296	-	-	-	457	11,834	**52,587**
Depreciation and amortisation charge		(15,762)	(5,917)	(4,604)	-	(5,319)	(14,235)	**(45,837)**
Net book value as at 31 December 2023		**134,762**	**13,188**	**9,121**	**36,243**	**25,525**	**27,245**	**246,084**
Cost at 31 December 2023		327,879	35,003	32,842	36,243	65,072	138,539	**635,578**
Accumulated depreciation		(193,117)	(21,815)	(23,721)	-	(39,547)	(111,294)	**(389,494)**
Net book value as at 31 December 2023		**134,762**	**13,188**	**9,121**	**36,243**	**25,525**	**27,245**	**246,084**
Additions		-	11,980	17,246	17,015	10,114	19,234	**75,589**
Reversal of Impairment of accumulated depreciation		23,052	-	-	-	-	-	**23,052**
Impairment at historical cost		(488)	-	-	(23,023)	-	-	**(23,511)**
Disposals at historical cost		-	(10,444)	(7,850)	-	(357)	(8,594)	**(27,245)**
Disposals of accumulated depreciation		-	8,898	7,850	-	347	7,681	**24,776**
Depreciation charge		(14,387)	(8,232)	(2,164)	-	(8,159)	(13,799)	**(46,741)**
Net book value as at 31 December 2024		**142,939**	**15,390**	**24,203**	**30,235**	**27,470**	**31,767**	**272,004**
Cost at 31 December 2024		327,391	36,539	42,238	30,235	74,829	149,179	**660,411**
Accumulated depreciation		(184,452)	(21,149)	(18,035)	-	(47,359)	(117,412)	**(388,407)**
Net book value as at 31 December 2024		**142,939**	**15,390**	**24,203**	**30,235**	**27,470**	**31,767**	**272,004**

Assets under construction consist mainly of the construction and refurbishment of branch premises. Upon completion when assets are available for use they are transferred to "Land and buildings". There were no capitalisation of the borrowing cost in 2024 and 2023 (Note 26).

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

The gross carrying amount of fully amortised premises and equipment and other non-current material assets that is still in use as at 31 December 2024 equals to UAH 89,081 thousand (2023: UAH 90,198 thousand).

In 2024, the Bank recognized impairment for the land plot in Kyiv and premises in regions in total amount of UAH 23,511 thousand, and also recognized the recovery (reduction) of previously recognized impairment for the premises in Kyiv in total amount of UAH 23,053 thousand. In 2023, the Bank did not recognize any impairment of real estate.

35) Other Financial and Non-financial Assets and Assets Held for Sale

	2024	**2023**
Other financial assets		
Guarantee deposits	115,088	106,364
Accounts receivable from foreign exchange transactions	147,137	56,974
Other financial assets	10,500	13,365
Loss allowances for expected credit losses on other financial assets	(9,415)	(5,222)
Total other financial assets	**263,310**	**171,481**
Other non-financial assets		
Prepayments	55,424	43,227
Other non-financial assets	2,778	3,879
Loss allowances on other non-financial assets	(2,118)	(1,856)
Total other non-financial assets	**56,084**	**45,250**
Total other financial and non-financial assets	**319,394**	**216,731**

The credit quality of other financial assets as at 31 December 2024, based on the lowest out of the ratings assigned to the counterparties by the international rating agencies (Fitch and S&P), may be summarised as follows:

	Guarantee deposits
BBB-rated	115,088
Loss allowances	(73)
Total guarantee deposits	**115,015**

The credit quality of other financial assets as at 31 December 2023, based on the lowest out of the ratings assigned to the counterparties by the international rating agencies (Fitch and S&P), may be summarised as follows:

	Guarantee deposits
BBB-rated	106,364
Loss allowances	(68)
Total guarantee deposits	**106,296**

Currency and maturity analyses of other financial assets are disclosed in Note 44. Refer to Note 46 for the estimated fair value of other financial assets. The information on related party balances is disclosed in Note 48.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Assets held for sale are presented by repossessed property as follows:

	2024	2023
movable property	-	44,104
other real estate	-	11,331
Total	**-**	**55,435**

The Bank booked impairment of repossessed property of UAH 0 thousand in 2024 (UAH 10,013 thousand in 2023) due to decline of the real estate market and respective decrease of market prices for the property affected by the war.

36) Customer Accounts

Liabilities to customers consist of deposits due on demand, savings deposits and term deposits, and other liabilities to customers. The following table shows a breakdown by customer group:

	2024	2023
Current accounts	**13,364,809**	**10,064,798**
- private individuals	2,137,736	1,701,500
- legal entities	11,227,073	8,363,298
Savings accounts	**10,108,352**	**9,415,523**
- private individuals	2,548,052	2,550,641
- legal entities	7,560,300	6,864,882
Term deposit accounts	**11,752,286**	**10,294,506**
- private individuals	8,027,511	6,798,456
- legal entities	3,724,775	3,496,050
Other liabilities to customers, represented by transit accounts	**175,348**	**298,981**
Total	**35,400,795**	**30,073,808**

Savings accounts are interest bearing accounts. Customers can deposit to and withdraw from such accounts at any time. Interest is accrued over daily outstanding balances on such accounts. Transactions on these accounts are limited to cash depositing and withdrawals, as well as transfers to/from accounts belonging to the same holder.

As at 31 December 2024, the Bank had one hundred ten customers (2023: ninety customers) with total outstanding principal balances above and equal to EUR 1 million. The aggregate total outstanding balance of these customers was UAH 12,693,029 thousand (2023: UAH 9,987,376 thousand) or 36% (2023: 33%) of total customer accounts.

As at 31 December 2024, included in customer accounts are deposits of UAH 25,878 thousand (2023: UAH 84,390 thousand) held as collateral for irrevocable commitments under guarantees issued, covered letters of credit.

Refer to Note 46 for the estimated fair value of each class of customer accounts. Currency and maturity analyses of customer accounts are disclosed in Note 44. The information on related party balances is disclosed in Note 48.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

37) Other Borrowed Funds

Liabilities to international financial institutions are one of the sources of financing for the Bank. Loans from international financial institutions and other borrowers are reported here.

Counterparty	Currency	Maturity	Balance outstanding 2024	Balance outstanding 2023
Green for Growth Fund	EUR	2028	361,399	446,554
Green for Growth Fund	EUR	2028	318,689	382,752
Green for Growth Fund	EUR	2029	257,815	297,333
European Investment Bank	UAH	2026	221,724	332,587
EBRD	UAH	2025	155,697	471,418
EBRD	UAH	2025	130,350	260,228
EBRD	EUR	2025	128,774	247,487
Business Development Fund	UAH	2025	113,484	110,157
European Fund for Southeast Europe	UAH	2025	54,980	165,107
European Fund for Southeast Europe	UAH	2025	54,921	164,284
European Fund for Southeast Europe	UAH	2025	51,207	102,132
ProCredit Holding AG (accrued interest on unused amount of credit line)	EUR	2024	2,322	2,406
Total other borrowed funds			**1,851,362**	**2,982,445**

The movement of other borrowed funds in 2024 and 2023 is disclosed below:

	Note	2024	2023
Balance at 1 January		**2,982,445**	**5,554,348**
Proceeds from other borrowed funds		-	110,000
Repayment of other borrowed funds		(1,171,139)	(2,789,108)
The effect of changes in foreign exchange rates		(20,006)	125,125
Interest accrued	26	328,106	535,040
Interest paid		(268,044)	(552,960)
Balance at 31 December		**1,851,362**	**2,982,445**

As at 31 December 2024 and as at 31 December 2023 the Bank met all financial covenants set by the loan agreements with international financial institutions.

Currency and maturity analyses of other borrowed funds are disclosed in Note 44. The information on related party balances is disclosed in Note 48. Refer to Note 46 for the estimated fair value of other borrowed funds.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

38) Other Financial and Non-financial Liabilities

	2024	2023
Other financial liabilities		
Provisions for credit-related commitments	76,691	110,451
Lease liabilities	17,388	13,990
Provisions for legal proceedings	-	3,570
Provisions for unbilled services	1,384	1,854
Other	4,508	13,441
Total other financial liabilities	**99,971**	**143,306**
Other non-financial liabilities		
Accrual for untaken vacation	21,239	17,046
Accounts payable for taxes and other mandatory payments, except for income tax	44,749	34,198
Other	14,270	14,936
Total other non-financial liabilities	**80,258**	**66,180**
Total other financial and non-financial liabilities	**180,229**	**209,486**

The movement of lease liabilities in 2024 and 2023 is disclosed below:

	2024	2023
Balance at 1 January	**13,990**	**10,139**
Payments	(9,304)	(8,216)
Accrued interest	1,458	550
The effect of changes in foreign exchange rates	1,315	(1,226)
Increasing	9,991	12,771
Decreasing	(62)	(28)
Balance at 31 December	**17,388**	**13,990**

Currency and maturity analyses of other financial liabilities are disclosed in Note 44. The information on related party balances is disclosed in Note 48. Refer to Note 46 for the estimated fair value of other financial liabilities and provisions for legal proceedings.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

39) Subordinated Debt

Subordinated debt represents a long-term borrowing agreement, which, in the case of the Bank’s default, would be secondary to the Bank’s other obligations, including customer accounts and other debt instruments.

The subordinated debt as at 31 December 2024 and 31 December 2023 can be broken down as follows:

Counterparty	Currency	Maturity	2024	2023
ProCredit Holding AG	EUR	2032	-	884,411
Total Subordinated Debt			**-**	**884,411**

In 2024 the sole shareholder of the Bank ProCredit Holding AG made a decision to convert subordinated loan in total amount of EUR 20 million into the core capital. The total amount of subordinated debt was converted into local currency by commercial exchange rate and then transferred to the issue of ordinary shares (Note 40).

The movement of subordinated debt in 2024 is disclosed below:

	Note	2024
Balance at 1 January		**884,411**
Interest expense	26	97,633
Interest paid		(137,040)
Repayment of the subordinated debt for further conversion to the capital		(874,958)
The effect of changes in foreign exchange rates		29,954
Balance at 31 December		**-**

The movement of subordinated debt in 2023 is disclosed below:

	Note	2023
Balance at 1 January		**804,918**
Interest expense	26	84,184
Interest paid		(73,603)
The effect of changes in foreign exchange rates		68,912
Balance at 31 December		**884,411**

The currency and maturity analyses of subordinated debt are disclosed in Note 44. The information on related party balances is disclosed in Note 48. Refer to Note 46 for the estimated fair value of subordinated debt.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

40) Equity

Share Capital

As at 31 December 2024 and 31 December 2023 the registered share capital consisted of 3,297,003 with nominal value of UAH 476.79 per share and total nominal value of UAH 1,571,978 thousand.

All shares are divided into ordinary and preference shares. Each ordinary share carries one vote. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and at the General meetings of the Bank’s Shareholders. The preference shares carry no voting rights except for the cases explicitly provided by Ukrainian laws, but are granted a preferred right to receive dividends in amount of UAH 150 in total for all these shares as well as a priority participation in the distribution of assets in the event of liquidation.

As at 31 December 2024 and 31 December 2023 all of the Bank’s outstanding registered shares were issued and fully paid up.

	Ordinary shares		Preference shares	
	2024	**2023**	**2024**	**2023**
In issue at 31 December – fully paid and registered	**3,147,392**	**3,147,392**	**149,611**	**149,611**

The shareholding structure of the Bank as at 31 December 2024 was as follows (based on types of shares).

Shareholder	Number of registered shares owned	% in share capital	Nominal value	Share premium	Total capital
Ordinary shares (registered)					
ProCredit Holding AG	3,147,392	95.46	1,500,645	113,845	1,614,490
Total ordinary shares	**3,147,392**	**95.46**	**1,500,645**	**113,845**	**1,614,490**
Non-voting preference shares					
ProCredit Holding AG	149,611	4.54	71,333	-	71,333
Total non-voting capital	**149,611**	**4.54**	**71,333**	**-**	**71,333**
Total capital	**3,297,003**	**100.00**	**1,571,978**	**113,845**	**1,685,823**

The shareholding structure of the Bank as at 31 December 2023 was as follows (based on types of shares):

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Shareholder	Number of shares owned	% in share capital	Nominal value	Share premium	Total
Ordinary shares (registered)					
ProCredit Holding AG	3,147,392	95.46	1,500,645	113,845	1,614,490
Total ordinary shares	**3,147,392**	**95.46**	**1,500,645**	**113,845**	**1,614,490**
Non-voting preference shares					
ProCredit Holding AG	149,611	4.54	71,333	-	71,333
Total non-voting capital	**149,611**	**4.54**	**71,333**	-	**71,333**
Total capital	**3,297,003**	**100.00**	**1,571,978**	**113,845**	**1,685,823**

Unregistered capital

Following the decision of the sole shareholder of the Bank (ProCredit Holding) dated September 23, 2024, to convert subordinated debt of EUR 20 million into the authorized capital (Note 39) the Bank had issued 732,584 ordinary shares with nominal value of UAH 476.79 per share and total value of UAH 876,896 thousand, including share premium. As of December 31, 2024, the procedure for registration of the increase in the Bank's authorized capital was ongoing. On April 14, 2025, an updated version of the Bank's Charter was registered with a new amount of the authorized capital (UAH 1,921,267 thousand), the amount of the authorized capital increase amounted to UAH 349,289 thousand, and the relevant changes were made to the Unified State Register of Legal Entities and Individual Entrepreneurs. The difference between nominal value and market value of new shares is accounted as share premium. As at the date of authorization of these financial statements for issue, the process of registering the report on the results of the share issue with the National Securities and Stock Market Commission was in progress.

Reserves within equity

Effective Ukrainian legislation requires that banks form a reserve fund to cover unforeseen losses on all asset items and off-balance sheet liabilities. The reserve fund must represent not less than 25% of bank's regulatory capital. The reserve is formed through charges from net profit for the reporting year retained by the Bank after taxes and retained earnings for previous years.

Charges to the reserve must be no less than 5% of bank’s profit until the reserve reaches 25% of bank’s regulatory capital. If, as a result of bank's operations, regulatory capital is reduced to an amount lower than share capital, annual charges to the reserve must be 10% of bank’s net profit until the reserve reaches 35% of bank’s share capital.

The reserve may only be used to cover the bank’s losses for the reporting year in accordance with the decision of the Bank’s Board and in accordance with the procedures established by shareholders. Furthermore, effective Ukrainian legislation envisages no restrictions on distribution of the reserve among bank’s shareholders upon bank’s liquidation after satisfaction of all creditors' claims.

As at 31 December 2024 the Bank’s reserve funds amounts to UAH 1,400,407 thousand (2023: UAH 551,841 thousand) and is presented in equity. The source of reserve funds increase in 2024 is profit for the previous year as disclosed in the Statement of the Changes in Equity.

Following the decision of the sole shareholder dated 31 May 2023 net losses in the amount of UAH 1,772,508 thousand were 100% covered from the reserve fund of the Bank.

E. Risk Management

The principles of risk management and the risk strategy of the Bank have not changed compared to the previous year.

ProCredit Bank’s risk management principles are aligned with those of the ProCredit Group, which is committed to fostering transparent and inclusive financial sectors in developing countries and transition economies.

In 2024, the risk landscape in Ukraine remained deeply influenced by the ongoing repercussions of Russia's invasion (see Note 3). Throughout the year, Russia escalated attacks on Ukraine’s critical infrastructure, with a shift in focus toward distribution networks, resulting in significant electricity shortages and frequent outages. Particularly during a mid-summer heatwave, these disruptions impacted daily life. However, with support from Western partners, Ukrainian electricity providers successfully stockpiled essential equipment, enabling rapid repairs. By late August, the frequency of outages decreased, allowing the country to prepare for the colder months. Despite continued military operations and threats to infrastructure in late 2024, efforts to strengthen resilience in key sectors were bolstered by international assistance. While energy shortages persisted in some regions, the Bank’s operations and those of its loan customers remained largely unaffected by direct disruptions.

Given the ongoing uncertainty surrounding the situation, the Bank has maintained elevated liquidity and capital reserves to ensure its ability to navigate any potential disruptions. This proactive approach underscores the Bank’s commitment to operating smoothly amidst the significant challenges posed by the current macroeconomic environment.

The Bank adhered to all relevant regulatory requirements throughout the 2024 financial year.

Developments in the risk situation are closely monitored.

41) Management of the Overall Bank Risk Profile – Capital Management

Objectives of capital management

To ensure the it's stability, the Bank aims to maintain an adequate capital base to cover all potential risks it may encounter in its operations. This objective is supported by a system of key indicators, each with defined target and limit ratios. Alongside the regulatory standards established by the National Bank of Ukraine, the Bank also adheres to Basel III capital adequacy calculations and maintains a Tier 1 leverage ratio.

The primary objectives of the Bank's capital management are as follows:

- Ensuring the Bank consistently holds sufficient and high-quality capital to absorb potential losses from various risks, even under extreme conditions.
- Achieving full compliance with the capital requirements set by the National Bank of Ukraine.
- Meeting the Bank's internally defined minimum capital adequacy requirements.
- Defining and maintaining maximum permissible risk levels (limits).
- Effectively managing and planning the risk profile in relation to available capital.
- Supporting the Bank's growth and strategic business objectives while maintaining financial stability.

Capital management – processes and procedures

Capital management at the Bank is governed by the Policy on Internal Capital Adequacy Assessment Process. The Bank actively monitors regulatory capital ratios and its risk-bearing capacity at least on a quarterly basis. This monitoring is carried out through various committees, including the Assets and Liabilities Committee (ALCO), the General Risk Management Committee, the Supervisory Board Risk Management Committee, and the ProCredit Group Risk Management Committee.

Capital management – compliance with regulatory and internal capital requirements

The guiding principle for capital management of the Bank is to ensure that, at any given time, the Bank does not undertake risks exceeding its capacity to bear them. To ensure appropriate capitalisation, the Bank applies both the normative and the economic perspective. Supervisory Board has defined a clear risk appetite for both perspectives. The bank has fulfilled all respective regulatory requirements throughout the past and expect to continue to do so in 2025.
In 2024, the ICAAP has been implemented and integrated into the Bank’s corporate governance and risk management systems.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Regulatory minimum capital requirements are set and monitored by the National Bank of Ukraine.
Starting August 5, 2024, a new three-tier capital structure was introduced, with the following requirements for the Bank to meet:

- Common Equity Tier 1 (CET1) ratio: 5.625%
- Tier 1 ratio: 7.5%
- Regulatory capital (Total capital) adequacy ratio: 10%

Alongside these requirements, the NBU introduced transitional provisions to ensure a balanced approach to implementing European standards while maintaining the banking system's capacity to support economic growth. These provisions include a phased schedule for meeting the minimum regulatory total capital adequacy ratio:

- From August 5, 2024, to December 31, 2024: no less than 8.5%
- From January 1, 2025, to June 30, 2025: no less than 9.25%
- From July 1, 2025: no less than 10%

Throughout 2023 and 2024, the Bank maintained sufficient capitalization to meet regulatory capital adequacy ratios set by the National Bank of Ukraine.

In line with NBU requirements, ICAAP was implemented in 2024 and integrated into the Bank’s corporate governance and risk management systems.

As at 31 December 2024 and 2023 the Bank complies with statutory capital ratios prescribed by the regulatory requirements of the National Bank of Ukraine. The statutory regulatory capital as at 31 December 2024 and 31 December 2023 comprises:

	2024	**2023**
Tier 1 capital	3,262,746	2,174,342
Tier 2 capital	948,229	1,933,910
Total regulatory capital	**4,210,975**	**4,108,252**

42) Management of Individual Risks

The Bank makes a special emphasis on a common understanding of the factors causing the risks and the need for analysis of possible events/scenarios and their possible negative effects. The goals of risk management include the timely identification of significant risks, their full understanding and proper description, for example, ensuring that no single product or service is not offered before until all parties have a full understanding of their nature.

All limits for individual risks within which the Bank positions its own risk strategy are consistent and monitored at the level of ProCredit Holding AG. Limited deviations are only allowed for stricter limits (i.e. in cases where such limits are stipulated by local law, e.g. for currency risk) or if approved by the Group Risk Management Committee.

43) Customer Credit Risk

Credit risk is defined as the risk that losses will be incurred if the party to a transaction cannot fulfil its contractual obligations at all, not in full or not on time. Within overall credit risk the Bank distinguishes between customer credit risk, counterparty risk (including issuer risk) and country risk. It is further divided into credit default risk and credit portfolio risk in order to facilitate focused risk management. Credit risk is the largest risk faced by the Bank and customer credit exposures account for the largest share of that risk.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. In addition, as at 31 December 2024 the Bank issued guarantees amounting to UAH 167,020 thousand (31 December 2023: UAH 173,509 thousand) (Note 47).

As at 31 December 2024, the Bank had one hundred and thirty borrowers (2023: one hundred and thirty seven borrowers) with aggregated loan amounts above EUR 1,000 thousand. The total aggregate amount of these loans was UAH 12,318,718 thousand (2023: UAH 11,429,256 thousand) or 55.2% of the gross loan portfolio (2023: 54.5%).

Customer credit risk

The key objectives of credit risk management are to achieve high loan portfolio quality, low risk concentrations within the loan portfolio and appropriate coverage of credit risks with loan loss provisions.

Credit default risk from customer credit exposures is defined as the risk of losses due to a potential non-fulfilment of the contractual payment obligations associated with a customer credit exposure.

The principal activity of the Bank is lending to small and medium enterprises, which helps diversify the loan portfolio and, consequently, minimizes risk through geographical distribution and sectoral diversification. In its lending operations, the Bank follows several key principles, including the following:

- Intensive analysis of the debt and payment capacity of loan clients, including an assessment of future cashflows;
- Careful compliance with the standards on serving business clients combined with group-wide application of a uniform risk classification approach supports the systematic collection and analysis of risk-relevant data, thus enabling the identification of risks;
- Carefully documenting credit risk analyses and processes conducted during lending operations, ensuring that the analyses performed can be understood by knowledgeable third parties;
- Rigorously avoiding overindebtedness among loan clients;
- Building a long-term relationship with the client, maintaining regular contact and documenting the development of the exposure within the regular monitoring reports;
- Strictly monitoring the repayment of credit exposures;
- Applying closely customer-oriented, intensified loan management in the event of arrears;
- Collecting collateral in the event of insolvency.

The information collected from the clients range from audited financial statements to management statements and other informal data provided by the client. The key criteria for credit exposure decision are primarily based on the financial position of the client (the liquid funds, profitability ratios and other indicators of creditworthiness of the client) and in a less degree on the collateral requirements.

All credit decisions in the Bank are taken by a credit committee. Its members have approval limits that reflect their expertise and experience. All decisions on medium credit exposures are taken by credit committees at the Bank's head offices. If the exposures are particularly significant for the Bank on account of their size, the decision is taken by the Supervisory Board of the Bank, usually following a positive vote issued by the responsible Group Credit Risk Management team at ProCredit Holding.

The most important basis for decision-making within the credit committee is the proposal for the financing and collateral structure, which is tailored to the customer's needs and dependent on his risk profile. In this context, the following general principles apply: the lower the loan amount, the more detailed the documentation provided by the client, the shorter the loan period, the longer the client's history with the Bank, and the higher the client's account turnover with the Bank, then the lower the collateral requirements will be. As a general rule, credit exposures with a higher risk profile are covered with solid collateral, mostly through mortgages.

The early detection of increases in credit risk at the borrower level is incorporated into all lending-related processes, resulting in prompt identification and timely assessment of the financial difficulties faced by clients.

The Bank implemented indicators for the early identification of risks in accordance with the ProCredit Group and local regulatory requirements, based on quantitative and qualitative risk features. These include, but are not limited to, declining account turnover or volume, high usage of granted credit lines and overdrafts over a longer period of time, and arrears. Regular recording and analysis of these early warning indicators help manage the performing portfolio, identify potential default risks at an early stage and take the required measures to avoid a significant increase in credit risk. Reports on the affected portfolio are regularly given to the branch manager, the Bank's head office and in aggregated form to ProCredit Holding.

Events which could have an impact on a significant part of the loan portfolio (common risk factors) are analysed and discussed at group and the Bank level. This can lead to the imposition of limits on risk exposures towards certain groups of clients, e.g. in specific sectors of the economy or geographical regions.

Since 24th of February 2022, customer credit risk is significantly affected by the war in Ukraine. Starting from the full-scale military invasion of russia in Ukraine, the Bank developed a comprehensive approach of loan portfolio segmentation based on the customer's business location and impact on their businesses from military actions. Since March 2024, the Bank has adopted a new risk zone categorization approach, based on information provided by the Ukrainian Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine, which was later transformed into the Ministry of National Unity of Ukraine. This updated approach stems from a more comprehensive understanding by the State of the current situation and the potential future developments of the war.

The categorization system is based on the risk profile of each settlement, reflecting the assessment of military threats by Ukrainian state institutions. Each settlement is classified into one of five military zones:

1. Territories temporarily occupied by the russian federation
2. Territories of active hostilities
3. Territories of active hostilities where state electronic information resources are operational
4. Territories of possible hostilities
5. Other territories

These five military zones are grouped into three regions based on the level of risk:

- Very High Risk (RED): Donetsk and Luhansk regions in their entirety, territories temporarily occupied by the Russian Federation, territories of active hostilities, and territories of active hostilities where state electronic information resources are operational.
- High Risk (YELLOW): Territories of possible hostilities (buffer zones around warzone/occupied areas).
- Low Risk (GREEN): Other territories (areas with relatively lower risk of being affected by the war).

From the very beginning of the full-scale russian military invasion in Ukraine on 24th of February 2022, the Bank performs an assessment of the invasion's impact on the customer loan portfolio. This assessment represents a dynamic process incorporating the most recent information about the scale of military activities, its impact on the clients' operations and adequate assessment and reflection of risk. In this regard, 1) the pro-active monitoring and re-classification of the portfolio continued, 2) the credit risk parameters were updated by augmenting the data history with the events of 2022 and 2023, re-estimation of the statistical models and updating the information on recent macroeconomic forecasts. By the end of 2024, 51% of the loan portfolio in red zone, making a volume UAH 190,438 thousands (2023: 75% or UAH 675,563 thousands), is recognized as default. The remaining UAH 182,270 thousands of loan portfolio in red zone are clients with a relevant part of their business activity elsewhere, all of them part of the underperforming portfolio and stage 2 (2023: UAH 226,414 thousands). The Bank managed to keep in touch with customers in the red zone to assess their situation and develop recovery plan where possible. That enabled partial collection of payments from 'red zone' clients through the year 2023 and 2024. The Bank continues to work on further recovery options. In case of no recovery possibility, such exposures are gradually written-off. All other clients are continuously assessed. Payment behaviour and financial performance, including the business outlook are critical in the assessment. Minimal level of risk classification was implemented depending on business location. Portfolio based monitoring was implemented to identify and assess potential risk related to war impact. In this process, consideration of grain export deal impact on portfolio quality of agricultural producers was taken into account. The result of portfolio based assessment is reflected in the risk classification downgrades, if increase of credit risk was identified, and, therefore, in asset quality indicators and staging as well.

At the same time, the Bank continued to finance clients located in the green and yellow zones, supported by the guarantee programs where possible with coverage from 50% to 80%.
Stricter requirements have been applied to the assessment of business operations and the development of projections, ensuring they fully reflect the current situation and the ability to conduct business activities, including securing supply chains and selling products.

On the basis of asset quality indicators, the loan portfolio is divided into the categories: performing, underperforming and defaulted. Exposures are assigned to these categories based on an exposure being past due, a risk classification system and other risk characteristics; these include the initiation of bankruptcy proceedings or similar court procedures, restructurings or collateral liquidations by other banks, as well as other factors indicating a significant deterioration of the economic situation of the client. The indicators allow for a clear overview of the quality of the Bank's portfolio and represent one of the most important tools for the credit risk management process.

- The performing loan portfolio shows no signs of a potential risk increase. Although some exposures show early warning signals, these may not necessarily result in a risk increase being determined.
- The underperforming loan portfolio comprises exposures showing increased credit risk. This can be caused by temporary payment difficulties (30-90 days), restructuring or other factors. Nevertheless, the Bank still assesses full repayment of the exposure to be possible, e.g. after restructuring.
- The defaulted loan portfolio comprises all exposures in default, most of which have shown lasting payment difficulties (over 90 days) indications. These include, among other factors, when the borrower is highly unlikely to meet his loan obligations to the banking group in full or when insolvency proceedings have been initiated. Further details are provided below.

The indicators and the associated internal processes have been defined in line with the requirements set by international regulatory authorities and are continuously reviewed and adjusted accordingly.

Once a higher risk of default is detected for a credit exposure, it is placed under intensified management. This centres around close communication with the client, identification of the source of higher credit default risk and close monitoring of their business activities. Decisions on measures to reduce the credit default risk are taken by the authorised decision-making bodies. In addition, specialised recovery officers may be called in to support the intensified management of the credit exposure.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

One of the first steps in managing such loans is to determine the economic and financial situation of the client, as this is the most important basis for decisions on whether or not the exposure can be restructured. The aim is to take such decisions at an early stage, while the chances of stabilisation are high and before the exposure enters an advanced phase of payment delay.

The table below presents the customer loan exposures by loan category which were restructured as at 31 December 2024 and 31 December 2023:

	2024		2023	
	Restructured loans	**Restructured loans in % of loan portfolio**	**Restructured loans**	**Restructured loans in % of loan portfolio**
Stage 2	802,273	3.6%	1,447,824	6.9%
Stage 3 and POCI	448,522	2.0%	765,237	3.6%
Total	**1,250,795**	**5.6%**	**2,213,061**	**10.6%**

When a credit exposure is classified as defaulted, it is passed on to officers responsible for customer service. These officers are supported by legal department specialists.

The structure of the loan portfolio is regularly reviewed by the General Risk Committee in order to identify potential events which could have an impact on large areas of the loan portfolio (common risk factors) and, if necessary, limit the exposure towards certain types of borrowers (e.g. by industry, by regions, by type of loan).

The Bank follows a guideline that limits concentration of risk in its loan portfolio by ensuring that large credit exposures (those exceeding 10% of regulatory capital) require an approval by the Group Risk Management Committee. No single large credit exposure may exceed 25% of the Bank's regulatory capital.

Loss allowances

The expected credit loss (ECL) model pursuant to IFRS 9 is the central element of the approach to quantifying loss allowances for both on- and off-balance sheet financial instruments and is continually optimised. The calculated loss allowances are determined based on the expected credit losses for several future default scenarios. This represents the combined sum of the probability-weighted results from the scenarios. ECL estimates are based on reliable information about past events, current conditions and projections of future economic conditions. A detailed description of the model specifications is provided below.

Three-stage approach

Loans and advances to customers are broken down into the three stages described below, based on the development of credit risk since initial recognition. A specific methodology is applied for each stage in order to determine impairment. During the term of an exposure, movement is possible between the stages.

Stage 1 comprises exposures for which credit risk has not significantly increased since initial recognition and for which there is thus no indication of a trigger for allocation to Stage 2 or Stage 3. Generally, all exposures are allocated to Stage 1 upon initial recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). For Stage1 exposures, the expected credit losses arising from possible default events within the 12 months following the reporting date are recognised as expenses. For exposures with a remaining term of less than 12 months, the shorter contractual maturity is applied.

Stage 2 comprises exposures for which credit risk has significantly increased since initial recognition, but for which there are no objective indications of impairment. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining term of the loan.

Stage 3 includes defaulted financial instruments, i.e. as of the reporting date, there are both a significant increase in credit risk and objective indications of impairment. The respective calculation of loss allowances is performed based on the expected credit losses over the entire remaining maturity considering 100% probability of default.

Credit risk classifications

The Bank allocates each small and medium credit exposure to a credit risk category based on a variety of data that is considered by the Bank to be predictive of the risk of default and applying experienced credit judgement. Credit risk classifications are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. The quantitative factors in the risk classification system are the business client enterprise’s operating performance, balance sheet strength, and cash flow quality. Analysis of the qualitative factors is subdivided into the following areas: people associated with the business client (management, key staff, owners); the professionalism of the organisation; the quality of the documentation provided, external factors, their potential impact on the business client’s activity and any warning signals, i.e. information which is indicative of payment difficulties on the client’s part in the recent past and which is also available to the Bank in a measurable and quantifiable form. In result of the assessment the client can be assigned to one of eight risk classifications.

Each small and medium exposure is allocated to a risk classification at initial recognition based on available information about the borrower. It supports the decision-making process by supplementing thorough assessment of the creditworthiness of the client. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk category.

The risk category of the credit exposure is connected with the Bank’s risk provisioning system. All credit exposures in client risk category 8 are considered to be impaired and treated as problem credit exposures. All credit exposures classified in client risk categories 6 and 7 are treated under intensified management.

Significant increase in credit risk (SICR)

When determining whether or not a significant increase in credit risk has occurred, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, both quantitative and qualitative information derived from the Bank’s experience is used. Assessment of significance increase in credit risk is performed on a contract level.

The quantitative test for SICR consists of a comparison between the expected PD over the remaining lifetime as of the reporting date and the expected PD over the corresponding time period at initial recognition. A significant increase in credit risk is deemed to exist if the difference between the PDs exceeds a certain limit. In this case, the respective financial instrument is transferred from Stage 1 to Stage 2. Conversely, a transfer from Stage 2 to Stage 1 is possible once the associated credit risk has decreased significantly.

In addition, qualitative criteria are used for SICR decisions. A transfer from Stage 1 to Stage 2 is made when one of the following criteria is met:

- Contractual payments are past due by more than 30 days but not more than 90 days.
- Classification of the customer as “restructured” pursuant to internal policies (adjustment of contractually agreed conditions).
- The customer is assigned to a risk class defined as insufficient in the risk classification system.

Impaired credit exposures

A credit exposure is considered impaired and is thus transferred to Stage 3 if one of the following criteria applies at the reporting date:

- Contractual payments are more than 90 days past due.
- Indications of significant financial difficulties of the debtor.
- Loan repayment is not possible without the realisation of collateral.
- Initiation of bankruptcy proceedings for the customer.
- Legal proceedings against the customer that endanger the existence of the business or the repayment capacity of the customer.
- Allegations of fraud against the customer.

Definition of default

The Bank considers an exposure to be impaired if at least one of the above criteria is met and the expected cash flows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed.

When determining provisions in Stage 3, a distinction is drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 250,000. For significant exposures with indications of impairment, an individual assessment is performed to determine provisioning, taking into account expected inflows, including collateral liquidation. For individually insignificant exposures, loss allowances are determined using parameters for the collective assessment of credit risk.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Returning an exposure from Stage 3 to a lower stage is possible if the customer can settle outstanding debts in full without recourse to collateral realisation. No migration between stages is possible for POCI exposures.

As part of the exposures allocated to Stage 3, the Bank has introduced special treatment of POCI (Purchased or Originated Credit Impaired) exposures in accordance with IFRS 9 requirements concerning modified financial assets. Within business model, the acquisition of initially recognised credit-impaired assets is not permitted. Accordingly, POCI exposures can only arise in the course of a new negotiation through significant modification of the contractually agreed cash flows. For POCI exposures, no allowances for impairment are made at the time of initial recognition. In subsequent periods, all changes with regard to the expected losses over the remaining maturity period (lifetime ECL) are recognised as an expense in the profit or loss and reported accordingly as loss allowances for these exposures.

The process for returning to the *performing* portfolio and thus to *Stage 1* has two steps. Once the economic situation of the borrower has improved (usually through a successful restructuring), such that it can fulfil his payment obligations in full and without recourse to collateral and there are no indications of impairment, there is a one-year healing period before the exposure can be classified under Stage 2. During the subsequent probationary period, which lasts two years, the exposure will continue to be classified as "restructured" and thus still recognised as *Stage 2*. Upon compliance with various criteria – e.g. no past-due payments; repayment of a significant portion of the obligation, including deferral agreements; and no indications of impairment – the exposure can be classified as performing again under *Stage 1* at the end of the probationary period.

The risk classification system for small and medium credit exposures is an instrument supporting the credit assessment for a proposed credit exposure and the on-going assessment of the risk associated with outstanding credit exposures. It supports the decision-making process by supplementing thorough assessment of the creditworthiness of all small and medium credit exposures. Risk classifications are mandatory for every financial analysis that is carried out for new credit exposures, for annual reviews and in the context of ad hoc measurements in response to extraordinary risk events.

The following table provides an overview of the respective gross and net exposure amounts and allowances for expected credit losses on loans and advances to customers, broken down by stages and credit risk grades as at 31 December 2024.

	Risk class 1-3	**Risk class 4-5**	**Risk class 6-7**	**Risk class 8**	**Not classified**	**Total**
Stage 1	5,034,271	7,348,980	-	-	245,712	12,628,963
Stage 2	1,839,500	4,687,323	2,227,971	-	120,412	8,875,206
Stage 3	-	-	-	777,211	37,230	814,441
POCI	-	-	-	4,903	1,437	6,340
Gross carrying amount	**6,873,771**	**12,036,303**	**2,227,971**	**782,114**	**404,791**	**22,324,950**
Allowance for expected credit losses	**(253,451)**	**(642,950)**	**(668,851)**	**(646,407)**	**(53,846)**	**(2,265,505)**
Net outstanding amount	**6,620,320**	**11,393,353**	**1,559,120**	**135,707**	**350,945**	**20,059,445**

Not classified exposures – all private loans and business exposures below EUR 50,000 (calculated based on on-balance and off-balance sheet exposures), which are not eligible for small and medium categorization.

The following table provides an overview of the respective gross and net exposure amounts and allowances for expected credit losses on loans and advances to customers, broken down by stages and credit risk grades as at 31 December 2023.

	Risk class 1-3	**Risk class 4-5**	**Risk class 6-7**	**Risk class 8**	**Not classified**	**Total**
Stage 1	2,447,175	5,480,105	-	-	336,114	8,263,394
Stage 2	1,895,969	5,343,693	3,772,128	-	164,726	11,176,516
Stage 3	-	-	-	1,435,723	73,186	1,508,909
POCI	-	-	-	16,229	408	16,637
Gross carrying amount	**4,343,144**	**10,823,798**	**3,772,128**	**1,451,952**	**574,434**	**20,965,456**
Allowance for expected credit losses	**(140,976)**	**(544,397)**	**(786,703)**	**(1,185,286)**	**(91,273)**	**(2,748,635)**
Net outstanding amount	**4,202,168**	**10,279,401**	**2,985,425**	**266,666**	**483,161**	**18,216,821**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Not classified exposures – all private loans and business exposures below EUR 50,000 (calculated based on on-balance and off-balance sheet exposures), which are not eligible for small and medium categorization.

The following table provides an overview of the credit-related commitments, broken down by stages and credit risk grades as at 31 December 2024.

	Risk class 1-3	Risk class 4-5	Not classified	Total
Payment guarantees - Stage 1	13,202	709	-	13,911
Payment guarantees - Stage 2	126,233	15,000	-	141,233
Performance guarantees – Stage 1	761	9,197	1,918	11,876
Total	**140,196**	**24,906**	**1,918**	**167,020**

The following table provides an overview of the credit-related commitments, broken down by stages and credit risk grades as at 31 December 2023.

	Risk class 1-3	Risk class 4-5	Risk class 6-7	Not classified	Total
Payment guarantees - Stage 1	14,854	7,586	-	1,857	24,297
Payment guarantees - Stage 2	138,857	929	660	1,051	141,497
Performance guarantees – Stage 1	47	1,064	-	208	1,319
Performance guarantees – Stage 2	-	-	31	-	31
Import letters of credit – Stage 1	-	6,365	-	-	6,365
Total	**153,758**	**15,944**	**691**	**3,116**	**173,509**

The riskiness of a client is determined using a range of indicators, including the risk classification, restructuring status and fulfilment of contractual payment obligations. Changes in these indicators reflect an increase or decrease in the credit risk associated with a client. Furthermore, these indicators are used to identify defaulted clients.

In general, exposures are only written off when no further recoveries are expected. The direct and indirect costs of managing credit exposures that have not been written off must also be in proportion to the size of the outstanding exposure. Bearing these points in mind, the Bank generally write off insignificant credit exposures (<EUR 30,000) earlier than significant ones. Decisions to write off an exposure do not automatically apply to the entire client relationship. The Bank may write off parts of a credit exposure (e.g. through a restructuring decision), in order to increase the likelihood of total repayment of the client’s remaining debt. More details on policy of writing off loan exposures are provided in Note 9(v).

When determining loss allowances a distinction is drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 250,000. For significant exposures with indications of impairment, an individual assessment is performed to determine allowances, taking account for the expected inflows, including collateral liquidation. Here, the Bank places great emphasis on a careful approach to estimating costs and expected earnings and also with respect to assumptions about the timeframe for liquidation. Regardless of the amount of loss allowance, a loan is classified as impaired as soon as the expected cash flows take account for liquidation of collateral.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

The following table provides an overview of the respective gross and net exposure amounts and allowances for expected credit losses on loans and advances to customers, broken down by stages and days past due as at 31 December 2024.

	Total gross outstanding amount	Allowance for expected credit losses	Net outstanding amount
Stage 1	**12,628,963**	**(524,313)**	**12,104,650**
0 days	12,538,084	(521,223)	12,016,861
1 to 30 days	90,879	(3,090)	87,789
Stage 2	**8,875,206**	**(1,058,035)**	**7,817,171**
0 days	8,780,943	(1,032,627)	7,748,316
1 to 30 days	74,343	(22,538)	51,805
31 to 90 days	19,920	(2,870)	17,050
Stage 3	**814,441**	**(681,986)**	**132,455**
0 days	322,751	(265,642)	57,109
1 to 30 days	32,649	(16,524)	16,125
31 to 90 days	20,431	(17,923)	2,508
91 to 365 days	201,013	(148,828)	52,185
> 365 days	237,597	(233,069)	4,528
POCI	**6,340**	**(1,171)**	**5,169**
0 days	6,340	(1,171)	5,169
Total	**22,324,950**	**(2,265,505)**	**20,059,445**

The following table provides an overview of the respective gross and net exposure amounts and allowances for expected credit losses on loans and advances to customers, broken down by stages and days past due as at 31 December 2023.

	Total gross outstanding amount	Allowance for expected credit losses	Net outstanding amount
Stage 1	**8,263,394**	**(294,214)**	**7,969,180**
0 days	8,256,480	(293,908)	7,962,572
1 to 30 days	6,914	(306)	6,608
Stage 2	**11,176,516**	**(1,198,479)**	**9,978,037**
0 days	11,014,809	(1,150,406)	9,864,403
1 to 30 days	134,139	(44,523)	89,616
31 to 90 days	27,568	(3,550)	24,018
Stage 3	**1,508,909**	**(1,241,638)**	**267,271**
0 days	494,750	(367,509)	127,241
1 to 30 days	27,097	(20,410)	6,687
31 to 90 days	49,433	(18,128)	31,305
91 to 365 days	285,733	(211,735)	73,998
> 365 days	651,896	(623,856)	28,040
POCI	**16,637**	**(14,304)**	**2,333**
0 days	16,492	(14,159)	2,333
91 to 365 days	11	(11)	-
> 365 days	134	(134)	-
Total	**20,965,456**	**(2,748,635)**	**18,216,821**

As at 31 December 2024 Stage 3 and POCI includes UAH 27,059 thousand of non-restructured loans with risk class of 8 and zero days past due (31 December 2023: UAH 114,254 thousand).

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Credit risk assessment for other financial assets

For other financial assets, the same definitions for "past due" and "non-performing" apply in principle as for customer credit risk. Counterparty risk is managed according to the principle that liquidity must be placed securely. The Bank has closely monitored the credit quality of its counterparties. To this end, the Bank has closely followed rating actions by rating agencies, news coverage, analysis reports and assessments by the Bank's risk unit, among other information. Since the beginning of the war, the Bank does not have access to funds in RUB in Raiffeisen bank russia. Despite the fact that the counterparty did not default, the exposures were fully provisioned as of end 2022. Due to the careful selection of the counterparties, none of the new positions shown were past due or showed any signs of impairment either as of 31 December 2023 or as of 31 December 2024. Considering the highly conservative Banks' approach towards counterparties, the counterparty and issuer risk assessed as medium with stable outlook.

The methodology for measurement of credit risk and thus expected credit losses for other financial assets such as investment securities, central bank exposures, loans to banks and account receivables corresponds to IFRS 9 and is based on external ratings. Therefore, as first step of the model each counterparty (e.g. financial institution, sovereigns) needs to be assigned a rating. For financial institutions and sovereigns, the Issuer Default Rating (IDR) is used, which is a forward-looking assessment of the capacity and willingness to honour debt obligations to private sector creditors in full and on time and thereby captures default risk.

Credit exposures are provisioned in accordance with expected losses. In this case, expected losses are calculated as the product of the default probability (PD), the loss given default (LGD), and the exposure at default (EAD). Here, the EAD (exposure at default) is determined by the total outstanding counterparty exposures reflected at the reporting period, the external PDs and LGDs are used. The PDs corresponds to the default probability.

For counterparties (financial institutions, sovereigns) and countries, rating information provided by Fitch is used for defining PD. As empirical default rates are not available for all rating classes, PDs for classes without empirical information are linearly interpolated from the next available empirical rates above or below the considered class. Every rating assigned to a financial institution, sovereign or country is attributed a PD. The respective PDs published in the Fitch Default Study is applied. Fitch's PDs are historical default averages linked to ratings and they represent the expected probability of defaults.

LGDs are not linked to the PD of an entity, but to the country (country of risk) that the counterparty is located in. Different LGDs are used for financial institutions and sovereigns/countries.

Description and the financial effect of collateral held as security and of other credit enhancements

The general creditworthiness of customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that borrowers provide it. Depending on the risk profile and the term of the exposure, loans may also be issued without being fully collateralised. As a general rule, credit exposures with a higher risk profile are covered with solid collateral, mostly through mortgages.

The valuation of immovable collateral is conducted on the basis of opinions prepared by external, independent experts. In order to ensure that a reduction in the value of the collateral is detected at an early stage and appropriate measures can be taken, plausibility checks of collateral value are a fixed component of the annual review process of the Bank's borrowers. The appraisals must be updated at regular intervals, with plausibility checks being carried out by specialised bank staff.

Based on the Bank's collateralisation requirements, securing loans with mortgages, cash and financial guarantees are among the most important instruments for limiting credit risk.

Gross carrying amount of loans and advances to customers by types of collateral as at 31 December 2024 and 31 December 2023 is presented as follows:

	2024	**2023**
Cash collateral	101,472	134,834
Financial guarantees	5,104,449	4,008,879
Mortgage	9,209,527	9,029,240
Other (mainly equipment and vehicles)	6,349,914	5,883,512
Non-collateralised	1,559,588	1,908,991
Total	**22,324,950**	**20,965,456**

At 31 December 2024, the net carrying amount of collaterised loans to customers that are credit-impaired (Stage 3 and POCI) amounts to UAH 137,624 thousand (2023: UAH 269,604 thousand) and the value of related collateral held in order to mitigate potential losses against those loans amounts to UAH 137,489 thousand (2023: UAH 258,123 thousand).

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

The table below represent financial instruments collateralised by financial guarantees or cash collateral as at 31 December, 2024:

	Total gross outstanding amount	Collateral amount of financial guarantees and cash collateral, cut to the gross carrying amount of loans
Loans to customers	9,151,961	5,205,921
Credit-related commitments	34,357	34,100
Total	**9,186,318**	**5,240,021**

The table below represent financial instruments collateralised by financial guarantees or cash collateral as at 31 December, 2023:

	Total gross outstanding amount	Collateral amount of financial guarantees and cash collateral, cut to the gross carrying amount of loans
Loans to customers	7,335,388	4,143,713
Credit-related commitments	32,177	32,159
Total	**7,367,565**	**4,175,872**

Financial assets subject to offsetting as at 31 December 2024 are presented as follows:

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Loans and advances to customers	324,690	-	324,690	-	(101,472)	223,218
Total financial assets	**324,690**	**-**	**324,690**	**-**	**(101,472)**	**223,218**
Customer accounts	(109,209)	-	(109,209)	101,472	-	(7,737)
Total financial liabilities	**(109,209)**	**-**	**(109,209)**	**101,472**	**-**	**(7,737)**

Financial assets subject to offsetting as at 31 December 2023 are presented as follows:

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Loans and advances to customers	240,433	-	240,433	-	(134,834)	105,599
Total financial assets	**240,433**	**-**	**240,433**	**-**	**(134,834)**	**105,599**
Customer accounts	(189,101)	-	(189,101)	134,834	-	(54,267)
Total financial liabilities	**(189,101)**	**-**	**(189,101)**	**134,834**	**-**	**(54,267)**

The recoverability of loans which are neither past due nor impaired primarily depends on the creditworthiness of borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

The Bank's policy on the treatment of repossessed property requires that all pledges obtained due to customer defaults be sold to third parties in order to avoid any conflict of interest arising from the below-market valuation of collateral.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

In addition, repossessed property is sold at the highest possible price, typically via public auction, and any remaining balance after the payment of principal, interest and penalty are credited to the customer’s account. Most repossessed property consists of movable property, land and buildings (refer to Note 35).

44) Financial Risks

Foreign currency risk

Foreign currency risk refers to the potential risk to the Bank's earnings and capital due to adverse fluctuations in exchange rates. The key risk indicator that reflects the balance sheet discrepancy for each currency is the open currency position (OCP).

The Bank aims to maintain balanced currency positions and ensures that its open currency positions always remain within prudent limits. As a matter of policy, the Bank does not take speculative positions in foreign exchange markets. It is not involved in trading activities and enters into foreign exchange (FX) transactions, including derivatives, solely for the purposes of managing liquidity and hedging risks.

Given the currency volatility in recent years, foreign currency risk continues to pose a significant threat to the capital of banks in Ukraine. Forecasting currency risk shocks remains complex, especially considering the flexibility introduced by the NBU in Q4 2023, which eased some currency restrictions after the strict administrative measures imposed in 2022.

The Bank's primary hedging strategy for managing currency risk is to maintain closed currency positions. However, in 2022, the NBU temporarily adjusted the method for calculating banks’ open FX position limits to prevent potential overstatements of FX loan loss allowances and to increase FX purchases. As a result, any new provisions in hard currency were excluded from the local OCP calculation. To stay within the local OCP limit of 5%, the Bank was required to open a short OCP under IFRS when booking additional provisions in hard currency.

The Bank continues to focus on monitoring exchange rate developments and ensuring that its open currency positions remain within acceptable limits. To mitigate FX risk, the Bank plans to maintain a long OCP in accordance with local standards as much as possible, ensuring that any short OCP reported under group reporting is solely a result of additional provisions.

The following table shows the distribution of the Bank’s financial assets and liabilities across its material operating foreign currencies (USD and EUR) as at 31 December 2024:

	EUR	**USD**	**Other currencies**
Assets			
Cash and cash equivalents - cash on hand	45,711	57,297	-
Cash and cash equivalents - correspondent accounts and overnights	3,428,170	3,809,219	133,581
Loans and advances to customers	2,747,757	2,967,643	-
Investment securities	1,766,165	870,787	-
Other financial assets	115,554	140,956	-
Total assets	**8,103,357**	**7,845,902**	**133,581**
Liabilities			
Due to other banks	6,709	5,857	-
Customer accounts	6,923,058	7,977,219	146,387
Other borrowed funds	1,068,558	-	-
Other financial liabilities	17,909	13,369	-
Subordinated debt	-	-	-
Total liabilities	**8,016,234**	**7,996,445**	**146,387**
Net balance sheet position	**87,123**	**(150,543)**	**(12,806)**
Irrevocable credit related commitments	**118,599**	**48,421**	**-**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Possible changes in exchange rates are not expected to have material impact on net profit and equity.

The following table shows the distribution of the Bank’s financial assets and liabilities across its material operating foreign currencies (USD and EUR) as at 31 December 2023:

	EUR	USD	Other currencies
Assets			
Cash and cash equivalents - cash on hand	30,674	85,259	-
Cash and cash equivalents - correspondent accounts and overnights	4,613,143	4,101,695	180,972
Loans and advances to customers	2,644,246	2,883,263	-
Investment securities	415,641	-	-
Other financial assets	106,933	56,891	-
Total assets	**7,810,637**	**7,127,108**	**180,972**
Liabilities			
Due to other banks	5,394	6,419	-
Customer accounts	5,596,164	7,139,608	194,060
Other borrowed funds	1,375,914	-	-
Other financial liabilities	32,853	17,118	-
Subordinated debt	884,411	-	-
Total liabilities	**7,894,736**	**7,163,145**	**194,060**
Net balance sheet position	**(84,099)**	**(36,037)**	**(13,088)**
Irrevocable credit related commitments	**110,676**	**4,164**	**-**

Interest rate risk

Interest rate risk specifies the risk that movements in market interest rates will adversely affect the Bank’s economic value and its interest earnings and eventually capital. There are three categories from which interest rate risk occurs, i.e. repricing risk (yield curve risk), basis risk and option risk.

The repricing risk arises from a timing mismatch in the maturity of assets and liabilities. The change may be parallel or non-parallel. The parallel repricing risk arises when interest rates move identically at all tenors (e.g. 200 basis points). The non-parallel change relative to the same instrument but at different tenors is called yield curve risk and the consequence is the change of the yield curve’s slope and shape. These are the main sources of interest rate risk in the Bank. The yield curve (the structure of interest rates of different maturities) can shift and change shape, which can impact the Bank’s income statement in the short or longer term if the Bank has repricing gaps. Therefore, closing the repricing gaps minimizes the risk of losses from interest rates movements.

Basis risk occurs when there is a mismatch between the reference (basis) interest rates received on assets and the reference rate of the interest paid on liabilities and the movements in the two reference rates are not correlated (reference rate basis risk). Basis risk also occurs when the reference rate is the same but different tenors move in different directions (tenor basis risk).

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Option risk is the risk arising from automatic or behavioural price movements in instruments due to changes in interest rate. Automatic option risk occurs from contracts with embedded options within the contract terms e.g. a floored rate loan.
Behavioural option risk arises when contracts allow different behaviour from clients as a response to changes in interest rates (e.g. early withdrawal of term deposits (TDAs) or early repayment of loans). The exercise of the option is hence not only constrained to interest rates but to the client behavior.

The Bank’s approach to measuring and managing interest rate risk is governed by the Interest Rate Risk Policy. This risk is regularly reviewed by the Bank’s Assets and Liabilities Committee, General Risk Management Committee and the Supervisory Board Risk Management Committee.

In order to limit the interest rate risk, the Bank aims to align the maturities of those balance sheet items which generate interest earnings and interest expenses. ProCredit Bank ensures that its balance sheet structure with regard to the re-pricing of interest rate sensitive items is adequately balanced across all maturities. The goal is to match repricing maturity profiles between assets and liabilities as far as possible. Additionally, the risk management function analyses each large transaction with regard to its contribution to interest rate risk before it enters the balance sheet of the Bank.

The table below shows weighted average effective interest rates of the Bank’s main interest-sensitive financial assets and liabilities at 31 December 2024 and 2023:

			2024			**2023**
Financial instruments	**UAH**	**EUR**	**USD**	**UAH**	**EUR**	**USD**
ASSETS						
Cash and cash equivalents	15%	3%	4%	19%	4%	5%
Investment securities	17%	3%	5%	21%	4%	-
Loans and advances to customers	18%	5%	5%	22%	6%	6%
LIABILITIES						
Customer accounts – current and saving accounts	5%	0%	0%	5%	0%	0%
Customer accounts – term deposits	13%	1%	1%	15%	1%	2%
Other borrowed funds	11%	6%	0%	14%	8%	-
Subordinated debt	-	-	-	-	11%	-

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, of the Bank’s statement of profit or loss and other comprehensive income.

The sensitivity of net interest income is the effect of the maximum possible changes in interest rates on profit before tax for one year, based on the variable and fixed rate non-trading financial assets and financial liabilities held at 31 December 2024 and 2023. The amount of historical shock to be applied is taken with adjustments to the limitations of changes of interest rates specified in the contracts, i.e. minimum interest rate in the loan contracts. Currently, typical loan contracts stipulate the minimum interest rate for disbursements in the local and foreign currency. The maximum possible changes in the interest rate represent the possible shock determined as historical maximum change (increase or decrease) in the interest rate for the year with the confidence interval of 99%. The historical values’ sampling period is 7 years from the reporting date. The effect on equity does not differ from effect on profit or loss (before tax).

Currency	**Increase in % as at 31 December 2024**	**Sensitivity of net interest income in 2025**	**Increase in % as at 31 December 2023**	**Sensitivity of net interest income in 2024**
UAH	7.40%	252,765	7.40%	257,096
EUR	3.9% for internal and 2% for external interest rate shocks	67,401	3.9% for internal and 2% for external interest rate shocks	59,996
USD	3.6% for internal and 2% for external interest rate shocks	70,634	3.6% for internal and 2% for external interest rate shocks	85,091

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Currency	Decrease in % as at 31 December 2024	Sensitivity of net interest income in 2025	Decrease in % as at 31 December 2023	Sensitivity of net interest income in 2024
UAH	-7.40%	(324,723)	-7.40%	(231,181)
EUR	-3.9% for internal and -2% for external interest rate shocks	(89,534)	-3.9% for internal and -2% for external interest rate shocks	(65,699)
USD	-3.6% for internal and -2% for external interest rate shocks	(101,121)	-3.6% for internal and -2% for external interest rate shocks	(104,260)

In 2024, to maintain a sufficient level of margin and interest income, the Bank consistently managed the interest rates development on both assets (loans to customers) and liabilities (customer deposits). Throughout 2024, KPR continued its downward cycle from 15%, however, due to spike of inflationary processes, it reverted its movement at the end of the year at 13.5%. It is anticipated that the further interest rate developments will be favourable for the Bank considering its asset-liability structure and rapid repricing frequencies of the contracts.

The EU and US key rates growth is unlikely, however, the Bank also places its funds into short-term fixed G7 bonds, that offer a higher interest rate while being fixed once to mitigate interest income decline at respective interest rates behaviour.

The Bank has short-term liquidity in local currency and invest it into overnight and 3-months deposit certificates of the National Bank of Ukraine. This instrument is suitable for keeping extra short-term liquidity in local currency. However, deposit certificates of the NBU go to the short-term time buckets of the model, and thus have significant effect on the 12-Months Interest Earnings by increasing further interest sensitive assets because model takes into consideration impact of the interest rate shock on this balance sheet position during the following 12 months.

In order to decrease negative impact from the downward interest rate shock the Bank implemented interest rate floor which is the minimum possible interest rate for the loan contract. This impacts sensitivity on financial instruments. The Bank gives more weight to the 12-month profit and loss effect of interest rate changes in order to supplement the economic value impact.

Liquidity risk

Liquidity risk (risk of not being liquid) is the risk that the Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. The Bank applies its own system of liquidity management established in accordance with the regulatory requirements. Highly liquid assets and development of customers' funds base are monitored on a daily basis. The Bank has developed a clear response to potential outflows including both price-based measures (managing interest rates and terms of deposits), plans to minimize the outflow by reducing (suspending) lending and raising funds from the parent company in case of emergency.

The Bank's business model is based on lending large number of small and medium enterprises (meaning high diversification of the loan portfolio). This approach ensures a constant source of liquid resources for the repayment of the loan portfolio, especially given the absence of significant concentrations of liquidity.

On the other hand, the loan portfolio is funded from two main sources: mainly customer funds and loans from international financial organizations are used to obtain funds in local and foreign currencies.

The Bank's General Risk Management Committee determines the liquidity strategy of the Bank and sets the liquidity risk limits. ALCO is a central collegial body in liquidity management. The treasury unit manages the Bank's liquidity on a daily basis and is responsible for the execution of the ALCO's decisions. Compliance with strategies, policies and limits are constantly monitored by the risk management unit.

The standards applied by the Bank in the management of liquidity are based on regulatory requirements, Group liquidity risk management policy and the Group treasury policy. Any violation of limits and all exceptions to these policies are approved by the Supervisory Board and Group Risk Management Committee.

Treasury manages liquidity on a daily level using an approach based on cash flow analysis. This method was designed to provide a realistic picture of the future liquidity situation. It includes assumptions about deposit and loan developments and helps to forecast liquidity risk indicators.

The key tools for measuring liquidity risks is a forward-looking liquidity gap analysis, which shows the contractual maturity structure of the assets and liabilities and estimates future funding needs based on certain assumptions. Starting with the estimation of the future liquidity in a normal financial environment, the assumptions are increasingly tightened in order to analyse the Bank's liquidity situation in times of stress.
In order to protect the liquidity of the Bank even in stress situations, the potential liquidity needs in different scenarios are determined. The result is analysed and the target volume of Bank's liquidity reserve is determined by the ALCO. The main liquidity reserve of the Bank is a committed standby line provided by ProCredit Holding AG. During 2024, the

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Bank had standby line of EUR 15.0 million to use under emergency conditions to cover possible liquidity gaps (2023: standby line of EUR 15.0 million).

The Bank also aims to diversify its funding sources. Deposit concentrations are monitored in order to avoid dependency on a few large depositors. The Bank monitors concentration risk using two indicators: TOP5 and TOP10 depositors. These indicators reflect the share of deposits held by the largest non-financial customers, which could potentially be withdrawn within the next 30 days, relative to the total non-financial customer deposits. The limit for the share of the top 5 largest deposits is set at 15% of total non-financial customer deposits, while the limit for the top 10 largest deposits is 20%. The reporting trigger is set at a level of deposit outflow assumptions used in Risk scenario for the deposits of such customers. This indicator shows a possible liquidity risk arising from concentration in funding. This serves as an early warning signal pointing at the necessity to discuss measures reducing depositor concentration. Respective decisions are made by the Bank's ALCO and brought to attention of Group Risk Management Committee.

The following table shows the undiscounted future cash flows of the financial liabilities and provisions for legal proceedings of the Bank according to their remaining contractual maturities at 31 December 2024. The remaining contractual maturity is defined as the period between the reporting date and the contractually agreed due date of the liability, or the due date of a partial payment under the contract for liability. The following table accounts for contractually allowed early calls of some financial liabilities.

	Up to 1 month	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Total**
Liabilities					
Due to other banks	12,566	-	-	-	12,566
Customer accounts	27,035,132	5,727,033	2,757,199	92,985	35,612,349
Other borrowed funds	3,627	155,799	989,974	897,078	2,046,478
Lease liabilities	828	1,387	5,922	9,251	17,388
Other financial liabilities	7,552	13,957	61,068	5	82,582
Total	**27,059,705**	**5,898,176**	**3,814,163**	**999,319**	**37,771,363**
Irrevocable credit related commitments	**167,020**				**167,020**

The following table shows the undiscounted future cash flows of the financial liabilities and provisions for legal proceedings of the Bank according to their remaining contractual maturities at 31 December 2023. The remaining contractual maturity is defined as the period between the reporting date and the contractually agreed due date of the liability, or the due date of a partial payment under the contract for liability. The following table accounts for contractually allowed early calls of some financial liabilities.

	Up to 1 month	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Liabilities						
Due to other banks	11,813	-	-	-	-	11,813
Customer accounts	22,461,759	3,765,397	3,949,445	165,148	-	30,341,749
Other borrowed funds	550	185,053	1,260,419	1,990,084	52,527	3,488,633
Subordinated debt	-	48,728	48,198	386,907	1,231,065	1,714,898
Lease liabilities	530	1,073	4,846	7,541	-	13,990
Other financial liabilities	14,032	9,142	105,000	1,142	-	129,316
Total	**22,488,684**	**4,009,393**	**5,367,908**	**2,550,822**	**1,283,592**	**35,700,399**
Irrevocable credit related commitments	**173,509**					**173,509**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

In disclosure of undiscounted future cash flows of the financial liabilities above and liquidity disclosure, presented further, these deposits are presented according to contractual term, without consideration of early withdrawal option. Based on historical experience, withdrawals of deposits of legal entities significantly earlier of the contract maturity are not expected.

The following table summarises approach of the Bank to measuring liquidity risk and shows the distribution of liquidity-relevant positions across certain time buckets as at 31 December 2024. The distribution is based on an internal model of liquidity management of the Bank, which takes into account the main expected cash flows of the principal amounts of financial instruments (i.e. excluding future and outstanding accrued interest).

	Up to 1 month	**1 - 3 months**	**3 - 6 months**	**7 - 12 months**	**More than 1 year**	**Total**
Financial assets						
Cash on hand	205,702	-	-	-	-	205,702
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposit)	337,989	-	-	-	-	337,989
Correspondent accounts, overnight placements and guarantee deposits with other banks	7,270,820	-	92,246	21,963	879	7,385,908
Deposit certificates of the National Bank of Ukraine	4,544,000	-	-	-	-	4,544,000
Government bonds	3,204,971	-	-	-	-	3,204,971
Loans and advances to customers	345,607	1,281,023	1,832,559	3,383,463	14,534,826	21,377,478
Total	**15,909,089**	**1,281,023**	**1,924,805**	**3,405,426**	**14,535,705**	**37,056,048**
Expected funding	439,266	-	-	-	-	439,266
Total Assets	**16,348,355**	**1,281,023**	**1,924,805**	**3,405,426**	**14,535,705**	**37,495,314**
Financial liabilities						
Customer accounts (other than term deposit accounts)	2,704,686	1,277,442	2,417,465	3,635,391	13,536,519	23,571,503
Customer accounts (term deposit accounts)	1,315,037	1,157,027	1,263,939	1,702,405	6,247,311	11,685,719
Other borrowed funds	-	139,626	448,550	435,029	813,610	1,836,815
Total	**4,019,723**	**2,574,095**	**4,129,954**	**5,772,825**	**20,597,440**	**37,094,037**
Expected amount of undrawn loan commitments, letters of credit and guarantees issued	815,061	201,677	-	-	-	1,016,738
Expected funding	-	-	-	-	439,266	439,266
Total Liabilities	**4,834,784**	**2,775,772**	**4,129,954**	**5,772,825**	**21,036,706**	**38,550,041**
Expected liquidity gap	11,513,571	10,018,822	7,813,673	5,446,274	(1,054,727)	
Sufficient Liquidity Indicator	**3.4**					

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

In order to adhere to conservative risk approach in regard of liquidity monitoring, the Bank excludes total amount of mandatory reserves on a daily basis due to the fact that this volume might not be available for an immediate use.

On 18 December 2024, the Bank entered into an agreement with the EBRD, under which the initial tranche, denominated in Ukrainian Hryvnia and amounting to EUR 10 million, was scheduled on 8 January 2025. Consequently, this amount has been included into the cash inflows within the Bank's liquidity model as Expected funding.

The following table summarises approach of the Bank to measuring liquidity risk and shows the distribution of liquidity-relevant positions across certain time buckets as at 31 December 2023. The distribution is based on an internal model of liquidity management of the Bank, which takes into account the main expected cash flows of the principal amounts of financial instruments (i.e. excluding future and outstanding accrued interest).

	Up to 1 month	1 - 3 months	3 - 6 months	7 - 12 months	More than 1 year	Total
Financial assets						
Cash on hand	212,525	-	-	-	-	212,525
Cash balances with the National Bank of Ukraine (other than mandatory reserve deposit)	-					-
Correspondent accounts, overnight placements and guarantee deposits with other banks	8,777,435	-	84,416	21,104	844	8,883,799
Deposit certificates of the National Bank of Ukraine	5,200,000	-	-	-	-	5,200,000
German government bonds	414,424					414,424
Loans and advances to customers	361,441	1,972,430	1,649,520	2,715,052	12,637,813	19,336,256
Total	**14,965,825**	**1,972,430**	**1,733,936**	**2,736,156**	**12,638,657**	**34,047,004**
Financial liabilities						
Customer accounts (other than term deposit accounts)	1,855,140	958,464	575,079	1,150,157	15,124,981	19,663,821
Customer accounts (term deposit accounts)	812,492	1,004,743	449,677	655,522	7,331,546	10,253,980
Other borrowed funds	-	137,170	443,954	581,125	1,795,141	2,957,390
Subordinated debt	-	-	-	-	844,158	844,158
Total	**2,667,632**	**2,100,377**	**1,468,710**	**2,386,804**	**25,095,826**	**33,719,349**
Expected amount of undrawn loan commitments, letters of credit and guarantees issued	327,447	-	-	-	-	327,447
Total	**2,995,079**	**2,100,377**	**1,468,710**	**2,386,804**	**25,095,826**	**34,046,796**
Expected liquidity gap	11,970,746	11,842,799	12,108,025	12,457,377	208	
Sufficient Liquidity Indicator	**5.0**					

Management expects that in calculating the liquidity risk cash flows on certain financial assets and liabilities would differ from the contractual cash flows. The cash flow data is adjusted when applying the contractual maturities appears impractical from the viewpoint of liquidity risk. The adjustments are based on certain assumptions used to change the contractual maturities of liquid assets, cash receipts and liabilities that become due in a certain period to reflect the stress situation.

Total liquid assets, i.e. assets available for immediate use, as well as short-term inflows due within the next 30 days, represent one of the most important liquidity risk management tools. Total liquid assets are split into two levels:

Highly Liquid Assets (available immediately)

- Cash;
- Balances with the National Bank of Ukraine other than mandatory reserves, calculated for the respective monthly reporting period based on statistical reporting forms (weighted at 0% of their carrying value in 2023). Although the Bank is not obliged to maintain the total level of mandatory reserves on a daily basis, the conservative risk approach based on assumptions that the Bank cannot consider the excessive liquidity occurred from positive difference between the current amount of balances with the National Bank and amount of mandatory reserves. Thus, the Bank adjust the report by amount of this difference and put as outflow at the day of monthly recalculation of mandatory reserves;
- Nostro accounts at ProCredit Bank Germany (deposits held with PCB Germany by the Bank) are split into operational and non-operational. Operational deposits - the daily liquidity requirements for clearing at PCB Germany. The threshold for operational deposits is defined based on the periodical analysis performed by PCB Germany. Deposits up to the defined thresholds are considered as operational and a 25% in/outflow rate is applied by depositing Bank and PCB Germany accordingly (or, in other words, the 75% of operational deposits is not considered as part of the HLAs/ liquidity buffer of the depositing bank and, respectively, is not considered as an outflow for PCB Germany). Non-operational - deposits in excess of the threshold are treated as non-operational with a 100% in/outflow rate;
- Treasury stocks and other marketable securities (except for those pledged as collateral): all liquid securities are deemed available for 30 days regardless of their maturities. Other treasury stocks deemed liquid securities include only those with the maturities of up to 30 days.

Short-term inflows (within the observed time horizon, available at maturity)

- Central bank balances (when not available immediately), available upon maturity within the next 30 days, e.g. in case of reverse Repo transactions;
- Investment securities: all non-highly liquid papers (non-HLP), maturing within 30 days, are fully considered upon maturity;
- Money market fund investments maturing within 30 days, are fully considered upon maturity;
- Bank bonds maturing within 30 days, are fully considered upon maturity;
- Pledged securities should be included only in case if the underlying liability matures within 30 days period, and the security qualifies as a highly liquid paper or matures in the assessed period;
- Placements with banks: amount that is due within 30 days, available upon maturity.

Important to mention that:

- Possible proceeds within the stand-by credit line opened by ProCredit Holding are not included in the calculation of the liquid assets;
- Loans to customers:
  - Loans overdue in excess of 30 days and overdue part of current loans are excluded from the liquid assets, as the Bank cannot count on the proceeds that have already become due;
  - 50% of inflows from loans are included, with the remaining 50% expected to be reissued as loans.

The core assumptions used for the purposes of calculating the liquidity indicators are as follows:
- Term liabilities due to external banks are included according to maturity;
- The assumption on the outflow from customer accounts is based on the analysis of the historical data on the Bank's deposit base. 8% of the total amount of non-financial customers (i.e. all savings and deposit accounts) are expected to outflow in the first 30 days. For financial institutional customers there is an 50% outflow assumption for current liabilities;
- Other borrowed funds represent principal debt according to maturity, for financial institutions there is an 50% outflow assumption for current accounts presented within other borrowed funds;
- 5% of exposures guaranteed by the Bank will require a payment within the next month;
- 20% of credit lines, which the Bank has committed to its customers, but which are currently undrawn, will be drawn within the next month.

The above assumptions are determined as Steering Stress scenario used to reflect the liquidity asset outflow that exceeds normal expectations. Therefore, the sufficient liquidity ratio calculated as liquid assets and proceeds with the next 30 days to liabilities with the maturity of up to 30 days (inclusively) is an important indicator to manage short-term liquidity. The Bank's goal is always to maintain sufficient liquidity in order to serve all expected liabilities within the next month. From a technical point of view, this implies that the Bank's available assets should always exceed the expected liabilities, as calculated by applying the above assumptions.

The Bank at all times shall maintain positive gaps between assets and liabilities for Steering Stress scenario cashflows for all time buckets up to 90 days, and this indicator is monitored on a daily basis. It ensures that the Bank has sufficient liquid assets and resources of liquid assets to sustain lingering crisis situations.

Despite the considerable uncertainty regarding the market liquidity and significant deposit outflows at the beginning of the russia military invasion of Ukraine the Bank’s liquidity situation improved significantly. Since the first day of the war in Ukraine, the liquidity of the Bank has been very closely monitored and managed.

In 2024, a significant driver of liquidity in the banking system was the increase in mandatory reserve requirements, which rose by 5 percentage points starting October 11, 2024. This increase, which did not apply to Term Deposit Accounts (TDA) in UAH with maturities exceeding 93 days (0%), had a notably negative effect on UAH liquidity. Despite this, the Bank maintained a sufficient and diversified funding base, primarily supported by a robust volume of customer deposits. This is a testament to the continued trust and confidence that customers place in the Bank, even amid the ongoing war.

Therefore, the Bank had sufficient liquidity available at all times in 2024 and 2023 to meet all financial obligations in a timely manner.

Generally, the Bank assesses its funding sources to be sufficient and diversified, mainly due to the fact that the core of the Bank’s funds is composed of a large number of customers’ deposits.

45) Operational Risk

Operational risk is defined by the Bank as the risk of loss resulting from inadequate or failed internal processes, people or systems (e.g. failure of data-processing systems, embezzlement, human error, faulty processes, structural weaknesses, insufficient monitoring) or from external events (e.g. criminal activities, natural disasters). This definition also takes into account fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Operational risk management aims to identify, analyse and assess all material risks at an early stage and to avoid their recurrence. The Bank follows Operational Risk Management Policy. The principles outlined in this document are designed to manage the Bank’s operational risk exposure. In accordance not only with the regulations of the National Bank of Ukraine but also with more detailed requirements of the EU laws (Kreditwesengesetz, the German Banking Act, and MaRisk, Minimum Requirements for Risk Management).

The overall framework for managing operational risks comprises the following key components: Corporate Culture, Governance Framework, Policies and Procedures, Risk Assessments, New Risk Approvals (NRAs), Key Risk Indicators and the Risk Event Database.

The overall objectives of this approach to the management of operational risks are:

- understanding of key factors of operational risks of the Bank
- to be able to identify critical issues as early as possible
- to avoid losses caused by operational risks;
- to ensure efficient use of the Bank’s capital.

The Bank has defined detailed guidelines and standards to ensure the confidentiality, availability and integrity of all information and information-processing IT systems requiring protection. Regular controls of information security and business continuity are part of existing processes and procedures. The Bank carries out a classification of their information assets and conducts a risk assessment on their critical information assets each year. The business continuity framework implemented in the Bank ensures that these risks are understood by all members of staff, that critical processes are identified and that resources are allocated to restore operations, in line with the prioritisation of processes.

Against the background of the war and its dramatic impact on the Bank’s activity, the Bank focused on staff organisation and operational risk. The objective of these activities is to ensure the continuity of business operations and adequate staffing. The Bank’s digital approach to all routine banking operations, which was implemented in the COVID-19 pandemic time, has enabled it to quickly shift to home-office models to protect the health and safety of customers and employees. With regard to the regulatory focus, implementation of the requirements stemming from experienced electricity cuts in 2022-2024, played a major role. The Bank finalised implementation of these requirements, including equipment of all branches by diesel generators and exploration expediency of reserve communication channels. Also, close contact with outsourcers and critical service providers was established to be prepared for failures or disruptions generated from war actions and its consequence. The Bank was able to maintain business continuity and guarantee the availability of IT systems without any loss of performance. Furthermore, the Bank did not identify any increase in fraud or other operational risks.

Organisation of the risk management function

Risk management responsibility lies with the Bank's Supervisory Board and Management Board. These Boards are supported by specialized units, including the Risk Management Department, the Financial Monitoring unit, and the Compliance unit. These units are tasked with proposing the Bank's risk management framework, setting risk position limits, monitoring adherence to these limits, overseeing capital and liquidity planning, and ensuring internal capital adequacy.

Several committees assist Management in overseeing risk management. The Risk Management Committee is responsible for developing and monitoring the Bank's risk management framework, ensuring compliance with risk limits, and evaluating the Bank’s capital and liquidity position. The Assets and Liabilities Committee focuses on liquidity management, coordinating funding efforts, and monitoring significant financial market developments. The Credit Risk Committee oversees key risk indicators and loan portfolio quality, enabling early identification of rising credit risk and the development of mitigation strategies. Additionally, starting January 1, 2025, the Bank has established an NPL Committee at the Management Board level, which will further enhance strategic-level risk control and management.

Management is accountable for risk management within the Bank. The Supervisory Board is updated on all significant risk developments at least quarterly. In 2024, the creation of the Risk Management Committee and Audit Committee at the Supervisory Board level further strengthened the Bank’s risk management framework. These committees enhance oversight capabilities, ensuring that risk management receives the highest level of attention and accountability. They contribute to a more robust governance structure, improve the Bank's ability to anticipate and address emerging risks, and support the prompt implementation of corrective actions, ultimately strengthening the Bank's overall risk management framework.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

F. Additional Notes

46) Fair Value of Financial Instruments

For the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique refer to Note 7. The table below shows an analysis of the carrying value of financial instruments by level of the fair value hierarchy into which the fair value measurement is categorised as at 31 December 2024:

	Level 1	*Level 2*	*Level 3*	*Total*
Assets at fair value				
Investment securities - shares of participation	-	-	2,016	**2,016**
Total assets at fair value	**-**	**-**	**2,016**	**2,016**
Assets for which fair values are disclosed				
Cash and cash equivalents	6,241,505	12,236,014	-	**18,477,519**
Loans and advances to customers	-	-	20,059,445	**20,059,445**
Investment securities - government bonds	862,147			**862,147**
Investment securities - German government bonds	1,327,960			**1,327,960**
Investment securities - French government bonds	436,439			**436,439**
Investment securities – USA government bonds	870,787			**870,787**
Other financial assets	-	263,310	-	**263,310**
Total financial assets for which fair values are disclosed	**9,738,838**	**12,499,324**	**20,059,445**	**42,297,607**
Liabilities for which fair values are disclosed				
Due to other banks	-	12,566		**12,566**
Customer accounts (on demand)	-	23,473,161	-	**23,473,161**
Customer accounts (term deposits)	-	11,752,286		**11,752,286**
Other liabilities to customers	-	175,348		**175,348**
Other borrowed funds	-	-	1,851,362	**1,851,362**
Other financial liabilities	-	99,971	-	**99,971**
Total liabilities for which fair values are disclosed	-	**35,513,332**	**1,851,362**	**37,364,694**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

The table below shows an analysis of the carrying value of financial instruments by level of the fair value hierarchy into which the fair value measurement is categorised as at 31 December 2023:

	Level 1	*Level 2*	*Level 3*	*Total*
Assets at fair value				
Loans at FVTPL	-	-	119	**119**
Investment securities - shares of participation	-	-	946	**946**
Total assets at fair value	**-**	**-**	**1,065**	**1,065**
Assets for which fair values are disclosed				
Cash and cash equivalents	-	17,939,527	-	**17,939,527**
Loans and advances to customers	-	-	18,216,702	**18,216,702**
Investment securities - government bonds	408,027	-	-	**408,027**
Investment securities - German government bonds	414,945	-	-	**414,945**
Other financial assets	-	171,481	-	**171,481**
Total financial assets for which fair values are disclosed	**822,972**	**18,111,008**	**18,216,702**	**37,150,682**
Liabilities at fair value				
Derivative financial liabilities	-	**-**	**-**	**-**
Total liabilities at fair value	-	**-**	**-**	**-**
Liabilities for which fair values are disclosed				
Due to other banks	-	11,813	-	**11,813**
Customer accounts (on demand)	-	19,480,321	-	**19,480,321**
Customer accounts (term deposits)	-	10,294,506	-	**10,294,506**
Other liabilities to customers	-	298,981	-	**298,981**
Other borrowed funds	-	-	2,982,445	**2,982,445**
Other financial liabilities	-	143,306	-	**143,306**
Subordinated debt	-	-	884,411	**884,411**
Total liabilities for which fair values are disclosed	-	**30,228,927**	**3,866,856**	**34,095,783**

Fair value of loans at FVTPL is determined using discounted cash flow technique. An increase in expected net cash flows would result in a higher fair value. Significant impact on changes in unobservable inputs for loans at FVTPL is not expected.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

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

		2024		**2023**
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and cash equivalents	18,477,519	18,477,519	17,939,527	17,939,527
Loans and advances to customers	20,059,445	20,049,763	18,216,702	18,188,501
Investment securities - government bonds	862,147	775,607	408,027	418,815
Investment securities - German government bonds	1,327,960	1,316,434	414,945	414,772
Investment securities - French government bonds	436,439	437,036	-	-
Investment securities – USA government bonds	870,787	870,113	-	-
Other financial assets	263,310	263,310	171,481	171,481
Total financial assets	**42,297,607**	**42,189,782**	**37,150,682**	**37,133,096**
Financial liabilities				
Due to other banks	12,566	12,566	11,813	11,813
Customer accounts	35,400,795	35,408,668	30,073,808	30,115,429
Current accounts of individuals	2,137,736	2,137,736	1,701,500	1,701,500
Current accounts of legal entities	11,227,073	11,227,073	8,363,298	8,363,298
Savings accounts of individuals	2,548,052	2,548,052	2,550,641	2,550,641
Savings accounts of legal entities	7,560,300	7,560,300	6,864,882	6,864,882
Term deposits of individuals	8,027,511	8,032,889	6,798,456	6,825,942
Term deposits of legal entities	3,724,775	3,727,270	3,496,050	3,510,185
Other liabilities to customers	175,348	175,348	298,981	298,981
Other borrowed funds	1,851,362	1,843,351	2,982,445	2,954,252
Subordinated debt	-	-	884,411	884,411
Other financial liabilities	99,971	99,971	143,306	143,306
Total financial liabilities	**37,364,694**	**37,364,556**	**34,095,783**	**34,109,211**

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Discount rates used in the estimation of fair values depend on currency, maturity of the instrument, credit risk of the counterparty and were as follows:

	2024	2023
Loans and advances to customers	5.0% – 15.0% p.a.	5.0% – 20.0% p.a.
Investment securities	2.6% - 18.9% p.a.	3.5% - 18.9% p.a.
Other financial assets	n/a	n/a
Customer accounts		
Due to other banks	n/a	n/a
Current accounts of private individuals	n/a	n/a
Current accounts of legal entities	n/a	n/a
Savings accounts of private individuals	n/a	n/a
Savings accounts of legal entities	n/a	n/a
Term deposits of private individuals	0.3% - 13.1% p.a.	0.9% - 16.9% p.a.
Term deposits of legal entities	0.3% - 13.1% p.a.	0.2% - 13.9% p.a.
Other liabilities to customers	n/a	n/a
Other borrowed funds	13.0%	14.0%
Subordinated debt	10.9%	11.3%
Other financial liabilities and provisions for legal proceedings	n/a	n/a

47) Contingencies and Commitments

Legal proceedings

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Tax legislation

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable.

The uncertainty of inconsistent enforcement and application of Ukrainian tax laws creates a risk of substantial additional tax liabilities, inability to recover recognised deferred tax assets and penalties being claimed by the tax authorities. Such claims, if substantiated, could have a material effect on the Bank's financial position, results of operations and cash flows.

Transfer pricing

Currently effective legislation introduces special transfer pricing reporting that must be filed with the tax authorities by the 1st October of each year. Additionally, the tax authorities are entitled to request transfer pricing documentation about controlled transactions. The taxpayers must provide such documentation within one month after receiving this request.

Based on these legislative requirements, the transactions between the Bank and related parties are subject to transfer pricing compliance and reporting. The Bank should thus file transfer pricing reporting with the tax authorities and be ready to provide relevant transfer pricing documentation at their request.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

Considering the recent implementation of these rules, there is no practice of their application by the tax authorities, there can be no assurance that the tax authorities will not have a different interpretation of the Bank’s approach and assess fines and penalties. In addition, the main difficulties in determining the controlled transactions and reporting is the lack of legislative criteria for determining normal prices for services and interest on loans received from related parties may lead to ambiguous definition of the value of these parameters and expose the Bank to fines.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in terms of customer`s failure to meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Outstanding credit-related commitments are as follows (all classified to Stage 1):

	2024	**2023**
Payment guarantees	155,144	165,794
Import letters of credit	-	6,365
Performance guarantees	11,876	1,350
Total credit-related commitments	**167,020**	**173,509**

The total outstanding contractual amount of guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. For the amount of provisions for credit-related commitments credit risk refer to Note 38.

As at 31 December 2024, all commitments to extend credit are revocable and amounted to UAH 4,033,550 thousand (31 December 2023: UAH 3,187,720 thousand).

Credit-related commitments are denominated in currencies as follows:

	2024	**2023**
UAH	48,421	58,669
EUR	118,599	110,676
USD	-	4,164
Total	**167,020**	**173,509**

Credit-related commitments represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to the loss of an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit-related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

48) Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.
Key management personnel consists of Management Board members of the Bank and the senior management (Risk Director and Business Clients Development Director).

Terms of transactions with related parties are established at the time of the transaction.

As at 31 December 2024, the outstanding balances with related parties were as follows:

	Parent company	**Entities under common control**	**Key management personnel**
Outstanding balance on corresponding accounts (EUR: 0 – 2.6%, USD: 0 – 3.75%)	-	7,370,518	-
Gross amount of loans and advances to customers (contractual interest rate: 29.0%)	-	-	19
Other financial assets (interest rate: EUR 2.10%)	-	115,015	-
Due to other banks (contractual interest rate: 0.0%)	-	12,566	-
Customer accounts (contractual interest rate: EUR 0 - 1.0%, USD 0 - 1.0%, UAH 0 - 14%)	-	966	19,295
Other borrowed funds (contractual interest rate: EUR: 0.37%, UAH 0.93-1.89%)	2,322	-	-
Other financial liabilities	-	177	-
Other liabilities	-	-	2,947

The income and expense items with related parties for the year 2024 were as follows:

	Parent company	**Entities under common control**	**Key management personnel**
Interest income, calculated using the effective interest method	-	352,396	5
Interest expense	(104,973)	-	(692)
Fee and commission income	-	989	-
Fee and commission expense	-	(42,288)	-
Other administrative and operating expenses	(57,020)	(297,886)	-
- including management services	(56,872)	-	-
Staff costs	-	-	(30,883)
- including remuneration of key management personnel (including social tax contributions and provision for untaken vacations)	-	-	(30,687)

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

As at 31 December 2023, the outstanding balances with related parties were as follows:

	Parent company	**Entities under common control**	**Key management personnel**
Outstanding balance on corresponding accounts (EUR: 0 – 2.25%, USD: 0 – 1.55%)	-	8,895,628	-
Other financial assets	-	106,296	-
Due to other banks (contractual interest rate: 0.0%)	-	11,813	-
Customer accounts (contractual interest rate: EUR 0 - 0.75%, USD 0 - 1.75%, UAH 0 - 17%)	-	430	12,771
Other borrowed funds (contractual interest rate: EUR: 0.37%, UAH 0.93-1.89%)	2,406	-	-
Other financial liabilities	-	177	3,825
Subordinated debt (EUR 11.29%)	884,411	-	-

The income and expense items with related parties for the year 2023 were as follows:

	Parent company	**Entities under common control**	**Key management personnel**
Interest income, calculated using the effective interest method	-	287,226	-
Interest expense	(93,290)	-	(344)
Fee and commission income	-	121	-
Fee and commission expense	-	(40,106)	-
Gains from foreign exchange operations	-	-	-
Other administrative and operating expenses	(46,962)	(199,794)	-
- including management services	(46,962)	-	-
Staff costs	-	-	(27,249)
- including remuneration of key management personnel (including social tax contributions and provision for untaken vacations)	-	-	(27,086)

The vacation accrual related to key management personnel as at 31 December 2024 was UAH 2,947 thousand (2023: UAH 3,825 thousand).

Total expenses for renumeration of the Supervisory Board members as at 31 December 2024 was UAH 1,962 thousand (2023: UAH 372 thousand).

For description of equity transactions refer to Note 40. As at 31 December 2024 the Bank has a standby line provided by the ProCredit Holding AG of EUR 15.0 million to use under emergency conditions to cover possible liquidity gaps (2023: standby line of EUR 15.0 million).

(in thousands of Ukrainian Hryvnia, unless otherwise stated)

49) Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9, Financial Instruments, the Bank classifies financial instruments into the following categories: (a) Financial assets and financial liabilities at fair value through profit or loss, (b) Financial assets and financial liabilities at amortised cost, (c) Financial assets at fair value with changes in fair value recognised in Other Comprehensive Income.

As at 31 December 2024 financial assets are presented as follows by measurement categories:

	At amortised cost	FVOCI	FVTPL	Total
Assets				
Cash and cash equivalents	18,477,519	-	-	18,477,519
Loans and advances to customers	20,059,445	-	-	20,059,445
Investment securities	3,497,333	2,016	-	3,499,349
Other financial assets	263,310	-	-	263,310
Total financial assets	**42,297,607**	**2,016**	**-**	**42,299,623**

As at 31 December 2023 financial assets are presented as follows by measurement categories:

	At amortised cost	FVOCI	FVTPL	Total
Assets				
Cash and cash equivalents	17,939,527	-	-	17,939,527
Loans and advances to customers	18,216,702	-	119	18,216,821
Investment securities	822,972	946	-	823,918
Other financial assets	171,480	-	-	171,480
Total financial assets	**37,150,681**	**946**	**119**	**37,151,746**

As at 31 December 2024 and 31 December 2023 all financial liabilities are classified to financial liabilities at amortised cost.

50) Events after the reporting date

As of the date of authorization of these financial statements for issue, military actions are still continuing on the territory of Ukraine and martial law is effective.

As at the date that these financial statements is authorized for issue the Bank continues its operations with consideration of martial law related restrictions set by National Bank of Ukraine.

Oleksandr Povshednyi
Chairman of the Management Board

Valerii Smolinskyi
Chief Accountant

22 April 2025