

**JOINT-STOCK COMPANY WEST FINANCE AND
CREDIT BANK**

Financial statements
for the year ended 31 December 2023

With the independent auditors' report

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Foreword by the Chairman of the Bank Supervisory Board

2023 was a difficult year for both the economy and the banking and financial services market. Despite all the difficulties, in particular those related to the war in Ukraine and sudden changes in regulations, the Bank was able to quickly and efficiently adapt to the new market conditions and demonstrated strong results among our competitors.

The Bank's customer service strategy and main business lines have not undergone any significant changes. The main changes occurred in the Bank's operating activities in order to adapt the Bank to stressful situations in the economy and the banking system as a whole and to preserve the Bank's liquidity and customer funds.

During the last year, the Bank's rating was upgraded by IBI-Rating, one of the leading rating agencies in Ukraine, and as of today, the Bank has been assigned the highest rating (uaAAA).

The Bank continues to follow a risk-based approach (including in terms of financial monitoring) to customer service, which allowed the Bank to effectively overcome the crisis periods.

I am deeply grateful the Management Board and the entire team of the Bank for their dedication and professionalism, and the Bank's clients for their trust.

*Chairman of the Supervisory Board
Mr. Hüseyin Altınbaş*

Foreword by the Chairman of the Management Board

In 2023, the banking system of Ukraine continued to demonstrate continuity, resilience and efficiency in the face of war. The Bank's team not only ensured the continuity of services, but also continued to optimize operations and effectively changed products and services to meet external circumstances.

Customer confidence, effective management of income and expenses, and a risk-oriented approach ensured positive dynamics of financial indicators. The Bank managed to end the year with a profit of UAH 10.6 million (with the income tax rate increased to 50%).

The bank was quick to respond to customer needs, flexible and efficiently adapted to market conditions. By doing so, we have shown that we are a reliable partner for our clients in this difficult time. The Bank's activities are primarily aimed at supporting and, in some cases, rescuing businesses for relocation and restoration of production. We continue to make every effort to achieve our common goal - the victory of Ukraine and the recovery of the country's economy through the support and development of the Bank's partners.

*Chairman of the Management Board
Igor Tykhonov*

Joint Stock Company “WEST FINANCE AND CREDIT BANK” (hereafter - ‘Bank’) is the first Turkish bank in Ukraine, opened to provide quality services to Ukrainian and foreign customers.

The Bank strives to be the first in all spheres of business, success, ranking, social, personnel, corporate governance, industry, etc.

The Bank's business model in the forecast period remains unchanged and the key strategic priorities in the Bank's activities are servicing the segment of corporate clients - international companies, large companies of importers and exporters from various sectors of the economy and SME clients.

The Bank's strategic partners are international creditors and funds (the Business Development Fund (BDF), the Black Sea Trade and Development Bank (BSTDB), the European Investment Bank (EIB), International Bank for Reconstruction and Development.

Strategic goals according to the strategy:

- Increasing the level of profitability and increasing the Bank's capital;
- Increasing the number of active clients;
- Acquiring the status of the main settlement bank for Turkish companies in Ukraine.

During 2023, the Bank continued to work with the state programs "Affordable loans 5-7-9%", support for agricultural producers, agro-processors, stimulation of the export of Ukrainian-made goods, a special program of financial and credit support (FCP) for small and medium-sized enterprises in the city of In Kyiv, providing a state guarantee on a portfolio basis. In connection with the consequences of military aggression, which caused the deterioration of business activity in the business environment, the Bank was very attentive to the requests of customers who received credit and responded flexibly to their needs.

The Bank does not conduct risky derivatives transactions. Transactions with assets on demand are held under the spot, forward, option and futures contracts, under which, in accordance with the terms and conditions of the agreement, the bank has the right to refuse to perform the obligation, including by set-off, and an obligation to make prepayment is charged to the counterparty of the bank.

The Bank is working on building long-term, reliable, partner relations with clients.

The Bank complies with the law and does its utmost to ensure that it does not violate the law. When there is a risk to violate the law, but to obtain more profit for the bank, the Bank does not perform this transaction or does not serve this client.

Proper fulfillment of obligations and compliance with law make us a reliable partner. Our strict requirements for borrowers make our bank interesting in terms of reliability, solvency and attractiveness for depositors.

During 2023, the Bank quickly and efficiently adapted to the new market conditions associated with the full-scale military aggression of the Russian Federation.

The Bank also continues the strategy of investing in the IT sector and digitalization of customer services. The whole success of the Bank is the result of the following elements:

- ✓ teamwork,
- ✓ well-defined roles,
- ✓ efforts made by each person,
- ✓ positive and honest approach;
- ✓ responsibility,
- ✓ respect each other,
- ✓ wise management,
- ✓ discipline and compliance,
- ✓ healthy lifestyle,
- ✓ constant development.

The most valuable and greatest capital is human capital. The Bank creates working conditions and an atmosphere where every employee who comes to office is responsible and takes care for customer transactions, therefore the Bank must maintain high social standards. Therefore, everything is focused on the development of the Bank and the activities of clients.

Report on corporate governance of JSC «CREDITWEST BANK»

The main purpose of the creation and operation of the Bank is to provide a full range of banking services in accordance with the banking license issued by the National Bank of Ukraine and the receipt of profits in the interests of shareholders.

The Bank has the right to provide all types of banking and financial services (except for insurance services) permitted for provision by the applicable laws and the Charter.

The Bank independently determines the directions of its activity in accordance with the applicable legislation of Ukraine.

The Bank has the right to conduct banking activities only after obtaining a banking license. Upon obtaining of a banking license, the Bank is required to comply with licensing requirements throughout the entire duration of the banking license, including the requirements related to the amount of regulatory capital. The Bank carries out banking activities in accordance with the procedure established by the Law of Ukraine "On Banks and Banking Activities", normative legal acts of the National Bank of Ukraine and in accordance with the Charter and internal regulations of the Bank drafted pursuant to them.

The Bank, on the basis of a banking license, may provide the following banking services:

- attraction of deposits (bank deposits) of funds and bank metals from an unlimited number of legal entities and individuals;
- opening and maintenance of current (correspondent) accounts of clients, including those in bank metals, and conditional storage accounts (escrow);
- placing of attracted deposits (bank deposits), including on current accounts, funds and bank metals on its own behalf, on its own terms and conditions and at its own risk.

The Bank has the right to provide financial services to its clients (except for banks), including based on agency agreements with legal entities (commercial agents). The list of financial services that the Bank has the right to provide to its clients (except for banks) by concluding agent agreements is established by the National Bank of Ukraine. The Bank is obliged to inform the National Bank of Ukraine about agency agreements entered into by it. The Bank is entitled to conclude an agency agreement with a legal entity that complies with the requirements established by the National Bank of Ukraine.

The Bank carries out the following credit transactions:

- performance of transactions on the securities market on its own behalf;
- provision of guarantees and suretyships and other obligations from third parties, which provide for their execution in monetary form;
- and other obligations from third parties that provide for their execution in monetary form;
- the acquisition of the right of claim to perform the obligations in monetary form for the delivered goods or rendered services, assuming the risk of performance of such claims and acceptance of payments (factoring);
- leasing.

In addition to providing financial services, the Bank may also carry out activities related to:

- investment;
- storage of valuables (including accounting and storage of securities and other valuables confiscated (arrested) in favor of the state and/or recognized as ownerless) or provision of an individual bank safe for property lease;
- issue of own securities;
- collection of funds and transportation of currency valuables;
- providing administrator services for the issue of bonds in accordance with the Law of Ukraine "On Capital Markets and Organized Commodity Markets"

- providing consulting and information services on banking and other financial services.

The Bank, subject to obtaining the general license of the National Bank, may carry out the following transactions with currency valuables:

- 1) non-trading transactions with currency valuables;
- 2) transactions with cash foreign currency and checks (purchase, sale, exchange, acceptance for collection), carried out at the cash offices and foreign currency exchange offices of banks;
- 3) transactions with cash foreign currency (purchase, sale, exchange) carried out at foreign currency exchange offices operating on the basis of agency agreements concluded by banks with resident legal entities;
- 4) maintenance of accounts of clients (residents and non-residents) in foreign currency and non-resident clients in the monetary unit of Ukraine;
- 5) maintenance of correspondent accounts of banks (residents and non-residents) in foreign currency;
- 6) maintenance of correspondent accounts of banks (non-residents) in the monetary unit of Ukraine;
- 7) opening correspondent accounts with authorized banks of Ukraine in foreign currency and conducting transactions thereon;
- 8) opening correspondent accounts with banks (non-residents) in foreign currency and conducting transactions for them;
- 9) attraction and placement of foreign currency in the currency market of Ukraine;
- 10) attraction and placement of foreign currency in the international markets;
- 11) trade in foreign currency in international markets;
- 12) trade in foreign currency in the currency market of Ukraine [with the exception of transactions with cash foreign currency and checks (purchase, sale, exchange) carried out at the cash offices and foreign currency exchange offices of banks and agents];
- 13) currency transactions in the currency market of Ukraine and/or international markets that belong to financial services in accordance with the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets".

The Bank has the right to perform other transactions (other types of activities) in accordance with the legislation of Ukraine and taking into account restrictions established for banks. The Bank cannot carry out activities in the field of material production, trade (except for retailing of commemorative, jubilee and investment coins) and insurance, except for performance of the functions of the insurance intermediary.

The Bank carries out credit transactions, investment activities (in particular, direct investments) and securities transactions, settlement banking operations, performs transactions with persons related to the Bank in accordance with the procedure, under the terms and conditions and subject to restrictions determined by applicable legislation.

In its activities the Bank complies with the requirements for ensuring competition in the banking system, banking secrecy and confidentiality of information, ensuring the client's right to information, prevention and counteraction to the legalization (laundering) of proceeds obtained from crime or terrorist financing, as well as on the reliability of advertising and ensuring the right of the Bank's clients to information.

The Bank forms relations with customers and correspondent banks on the basis of agreements on the provision of banking and other services, which determine mutual obligations and responsibilities of the parties, interest (percentage) rates, commission fees, types of secured repayment of loans, receipt of relevant information from customers, and other conditions.

The Bank's relations with its clients are governed by the applicable legislation, regulatory legal acts of the National Bank of Ukraine and legal transactions (agreements, contracts) between the client and the Bank.

The Bank may conduct securities transactions and professional activity in the securities market. Activities regulated by the regulatory legal acts of the National Securities and Stock Market Commission and for which it is necessary to have the license may be exercised by the Bank only after obtaining the corresponding license issued by the National Securities and Stock Market Commission in accordance with the procedure established by applicable legislation. Subject to obtaining an appropriate license for professional activity in the securities market (in the stock market), the Bank may, in particular, carry out:

- brokerage activities;
- dealership activities;
- underwriting;
- securities management activities;
- depository activity of a depository institution;
- asset management activities;
- mortgage collateral management activities;
- activities on keeping the assets of joint investment institutions;
- activities on keeping the assets of pension funds;
- clearing activities.

Subject to obtaining the corresponding license, the Bank develops, manufactures, uses, operates, imports, exports cryptosystems and facilities for cryptographic protection of information, provides services in the field of cryptographic protection of information for the Bank and its clients.

In its activities, the Bank may use an electronic digital signature.

Types of activities that require a special permit (license) in accordance with the applicable legislation of Ukraine may be carried out by the Bank upon its receipt of the corresponding permit (license) in accordance with the procedure established by the applicable laws.

Owners of substantial shareholdings at JSC«CREDITWEST BANK».

Information about the final owners in the ownership structure of the Bank

№	Surname, name and patronymic of an individual or full name of a legal entity	Person type	Is the person the owner of a significant share in the bank	Personal information	Shareholding of a person in a bank, %			Description of the person's relationship with the bank
					direct	indirect	joined	
1	2	3	4	5	6	7	8	9
1.	Inan Altinbas (Altınbaş İnan)	individual	yes	Citizen of the Republic of Turkey	0	9,703184	9,703184	<p>By :</p> <ul style="list-style-type: none"> - ownership of 90% of shares of JSC "Trona ic ve Dis Ticaret Danismanlik", which owns 9.96% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI" - ownership of 54% of shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm." (45% directly and 9% indirectly through JSC "Trona ic ve Dis Ticaret Danismanlik"), which owns 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI" - direct ownership of 19.98% of JSC "ALTINHAS HOLDING ANONIM SIRKETI", which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of JSC "CREDITWEST BANK" (hereinafter - the Bank) and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. <p>He is an associate (brother) of Altinbas Huseyin, Altinbas Vakkas, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.</p>
2.	Altinbas Huseyin (Altınbaş Hüseyin)	individual	yes	Citizen of the Republic of Turkey	0	12,849973	12,849973	<p>by :</p> <ul style="list-style-type: none"> - ownership of 45% of shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm. A.S.", who owns 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI" - direct ownership of 44.98% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI", which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is

								the owner of 42% of shares of the Bank. He is an associate person (brother) of Altınbaş İnan, Altınbaş Vakkas, Altınbaş Ali, Altınbaş Nusret and Altınbaş Sofu.
3.	Altınbaş Ali (Altınbaş Ali)	individual	yes	Citizen of the Republic of Turkey	0	11,41895	11,41895	By : - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. He is an associate (brother) of Altınbaş Huseyin, Altınbaş Vakkas, Altınbaş İnan, Altınbaş Nusret and Altınbaş Sofu.
4.	Altınbaş Vakkas (Altınbaş Vakkas)	individual	yes	Citizen of the Republic of Turkey	0	11,41895	11,41895	By : - ownership of 50% of shares of JSC "ASV HOLDING ANONIM SIRKETI", which owns 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which owns 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. He is an associate (brother) of Altınbaş Huseyin, Altınbaş İnan, Altınbaş Ali, Altınbaş Nusret and Altınbaş Sofu.
5.	Altınbaş Nusret (Altınbaş Nusret)	individual	yes	Citizen of the Federal Republic of Germany	0	11,41895	11,41895	By : - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. He is an associate (brother) of Altınbaş Huseyin, Altınbaş Vakkas, Altınbaş Ali, Altınbaş İnan and Altınbaş Sofu.
6.	Altınbaş Sofu (Altınbaş Sofu)	individual	yes	Citizen of the Republic of Turkey	0	11,41895	11,41895	By : - ownership of 50% of shares of JSC "ASV HOLDING ANONIM SIRKETI", which owns 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which owns 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. He is an associate (brother) of Altınbaş Huseyin, Altınbaş

								Wakkas, Altinbas Ali, Altinbas Nusret and Altinbas Inan.
7.	Altinbas Mehmet Atakan (Mehmet Atakan Altinbas)	individual	no	Citizen of the Republic of Turkey	0	0,284743	0,284743	<p>By</p> <p>- ownership of 100% of shares of "European Trade and Investment SA", which owns 10% of shares of JSC "Trona ic ve dis. ticaret danismanlik", which</p> <p>i) owns 9.96% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI" of direct ownership and</p> <p>ii) owns 10% of the shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm. A.S.", which is the owner of 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI", which is the owner of 33.34% of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which owns 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank.</p> <p>He is an associate (son) of Inan Altinbas.</p>

Information about the final owners in the ownership structure of the Bank

No	Surname, name and patronymic of an individual or full name of a legal entity	Person type	Type of substantial shareholdings	Personal information	Description of the person's relationship with the Bank
1	2	3	4	5	6
1.	Inan Altinbas (Altınbaş İnan)	individual	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of banks, Supervision (Oversight) of Payment Systems No. 276 dated 28.07.2017, the joint acquisition of indirect significant interest in JSC "CREDITWEST BANK" in the amount of 100% of the Bank's authorized capital was approved.</p> <p>Together with its associates, holds an indirect significant interest in the amount of 68.5% of the Bank's authorized capital by:</p> <ul style="list-style-type: none"> - ownership of 90% of shares of JSC "Trona ic ve Dis Ticaret Danismanlik", which owns 9.96% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI " - ownership of 54% of shares of JSC Final Alacak Yonetim Dan. Ve Destek Hizm. (45% directly and 9% indirectly through JSC "Trona ic ve Dis Ticaret Danismanlik"), which owns 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI" - direct ownership of 19.98% of JSC "ALTINHAS HOLDING ANONIM SIRKETI", which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of the JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. <p>Together with associates, he is a controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ALTINHAS HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING ANONIM SIRKETI".</p>
2.	Altinbas Huseyin (Altınbaş Hüseyin)	individual	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of banks, Supervision (Oversight) of Payment Systems No. 276 dated 28.07.2017, the joint acquisition of</p>

					<p>indirect significant interest in the Bank in the amount of 100% of the Bank's authorized capital was approved.</p> <p>Together with its associates, holds an indirect significant interest in the amount of 68.5% of the Bank's authorized capital by:</p> <ul style="list-style-type: none"> - ownership of 45% of shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm. A.S.", who owns 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI" - direct ownership of 44.98% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI ", which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. <p>Together with associates, he is a controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ALTINHAS HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING ANONIM SIRKETI".</p>
3.	Altinbas Ali (Altınbaş Ali)	individual	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of banks, Supervision (Oversight) of Payment Systems No. 276 dated 28.07.2017, the joint acquisition of indirect significant interest in the Bank in the amount of 100% of the Bank's authorized capital was approved.</p> <p>Together with its associates, holds an indirect significant interest in the amount of 68.5% of the Bank's authorized capital by:</p> <ul style="list-style-type: none"> - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. <p>Together with associates, he is a controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING ANONIM SIRKETI".</p>
4.	Altinbas Vakkas (Altınbaş Vakkas)	individual	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of banks, Supervision</p>

					<p>(Oversight) of Payment Systems No. 276 dated 28.07.2017, the joint acquisition of indirect significant interest in the Bank in the amount of 100% of the Bank's authorized capital was approved.</p> <p>Together with its associates, holds an indirect significant interest in the amount of 68.5% of the Bank's authorized capital by:</p> <ul style="list-style-type: none"> - ownership of 50% of shares of JSC "ASV HOLDING ANONIM SIRKETI", which owns 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. <p>Together with associates, he is a controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ASV HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING ANONIM SIRKETI".</p>
5.	Altinbas Nusret (Altınbaş Nusret)	individual	O	Citizen of the Federal Republic of Germany	<p>According to the decision of the Committee on Supervision and Regulation of banks, Supervision (Oversight) of Payment Systems No. 276 dated 28.07.2017, the joint acquisition of indirect significant interest in the Bank in the amount of 100% of the Bank's authorized capital was approved.</p> <p>Together with its associates, holds an indirect significant interest in the amount of 68.5% of the Bank's authorized capital by:</p> <ul style="list-style-type: none"> - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which is the owner of 42% of shares of the Bank. <p>Together with associates, he is a controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING ANONIM SIRKETI".</p>
6.	Altinbas Sofu (Altınbaş Sofu)	individual	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of banks, Supervision (Oversight) of Payment Systems No. 276 dated 28.07.2017, the joint acquisition of indirect significant interest in the Bank in</p>

					<p>the amount of 100% of the Bank's authorized capital was approved.</p> <p>Together with its associates, holds an indirect significant interest in the amount of 68.5% of the Bank's authorized capital by:</p> <ul style="list-style-type: none"> - ownership of 50% of shares of JSC "ASV HOLDING ANONIM SİRKETİ", which owns 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SİRKETİ", which is the owner of 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SİRKETİ", which is the owner of 42% of shares of the Bank. <p>Together with associates, he is a controller of JSC "ALTINBAS HOLDING ANONIM SİRKETİ", JSC "ASV HOLDING ANONIM SİRKETİ", JSC "CREDITWEST FACTORING ANONIM SİRKETİ".</p>
7.	<p>Joint-stock company "ALTINHAS HOLDING ANONIM SİRKETİ" («ALTINHAS HOLDİNG ANONİM SİRKETİ»)</p>	Legal Entity	O	<p>Republic of Turkey, Istanbul/Sisli Buyukdere st., Business Center Ozsesen, block C, 9th floor (Buyukdere Cd. Özsezen İşmerkezi C Blok K:9 Şişli, İstanbul, Turkey Republic); Identification code 705657</p>	<p>Owns 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SİRKETİ", which owns 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SİRKETİ", which owns 42% of the Bank's shares.</p> <p>The acquisition of an indirect significant participation was approved in accordance with the decision of the Committee on Supervision and Regulation of Banks, Supervision (Oversite) of Payment Systems dated 28.07.2017 No. 276.</p>
8.	<p>Joint-stock company "ALTINBAS HOLDING ANONIM SİRKETİ" («ALTINBAŞ HOLDİNG ANONİM SİRKETİ»)</p>	Legal Entity	II	<p>Republic of Turkey, Mahmutbey Mah., Dilmenler Avenue, ALTINBAS University, 26-28, Bagcilar / Istanbul, (Republic of Turkey, Istanbul, Bagcilar, Dilmenler av., Altinbas University №, 26-28, Maslak/Sarıyer); Identification code 394381</p>	<p>The shareholder of the Bank, which owns 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SİRKETİ", which owns 42% of the Bank's shares.</p> <p>Consent to acquire a significant participation was given in accordance with the resolution of the Board of the National Bank of Ukraine №114 of March 27, 2006.</p>

9.	Joint-stock company "ASV HOLDING ANONIM SİRKETİ" («ASV HOLDİNG ANONİM SİRKETİ»)	Legal Entity	O	Republic of Turkey, Esentepe Quarter st. Keskin Kalem №39 / 3 Sisli / Istanbul (Republic of Turkey, Esentepe mah., Keskin Kalem str. №39/3 Sisli / İstanbul) Identification code34184-5	Owens 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SİRKETİ", which owns 58% of shares of the Bank and 25% shares of JSC "CREDITWEST FACTORING ANONIM SİRKETİ", which owns 42% of the Bank's shares. The acquisition of an indirect significant participation was approved in accordance with the decision of the Committee on Supervision and Regulation of Banks, Supervision (Oversite) of Payment Systems dated 28.07.2017 No. 276.
10.	Joint- stock company "CREDITWEST FACTORING ANONIM SİRKETİ" («Creditwest Factoring Anonim Sirketi»)	Legal Entity	O	Republic of Turkey, Büyükdere Cad. No108 Enka Binası Kat 1 Esentepe/Şişli/İsta nbul Identification code 314444-0	The shareholder of the Bank, which owns 42% of shares of the Bank. By decision of the Committee for Supervision and Regulation of Banks, Supervision (Oversite) of Payment Systems of the National Bank of Ukraine No. 494 of November 16, 2020, permission was granted to "CREDITWEST FACTORING ANONIM SİRKETİ" Joint Stock Company to directly acquire a substantial stake in 42% of the Bank's authorized capital.

General Meeting Information.

In 2023, the next General Meeting of the Bank's shareholders took place:

- 1 – annual (27.04.2023)

and

- 2 – extraordinary (14.07.2023 and 29.08.2023).

Information regarding the general description of the decisions made is given in the table:

Date	General description of the decisions made at the meeting
27.04.2023	<p>1. To approve the report of the Supervisory Board for 2022 submitted to the General Meeting. To recognize the activities of the Supervisory Board of the Bank for 2022 as effective and meeting the interests of shareholders, depositors, investors and contributing to the further development of the Bank.</p> <p>2. To approve the report and conclusions of the external independent auditor of the Bank, “Baker Tilly Ukraine” LLC, submitted to the General Meeting based on the results of the audit of the Bank's financial statements for the year ended December 31, 2022, without comments or additional measures.</p> <p>3. To approve the Bank's financial and economic results for 2022 and the Bank's annual report for 2022, which includes the Bank's annual financial statements for 2022 in accordance with international financial reporting standards. To approve the financial result of the Bank for the 2022 year, namely a loss of UAH 7,759,472,09 (Seven million seven hundred and fifty-nine thousand four hundred and seventy-two UAH 09 kopecks) and cover it as follows: To direct part of the retained earnings of the Bank for the 2021 year in the amount of 7,759,472,09 UAH. (Seven million seven hundred and fifty-nine thousand four hundred and seventy-two UAH 09 kopecks) to cover the Bank's loss for 2022. Dividends for 2022 shall not be payed.</p> <p>4. To approve the Report on the remuneration of the members of the Supervisory Board of the Bank for 2022.</p> <p>5. To determine that the Regulation on Remuneration of Members of the Supervisory Board of JOINT-STOCK COMPANY "WEST FINANCE AND CREDIT BANK," approved by the decision of the Extraordinary General Meeting of Shareholders of JSC "CREDITWEST BANK" dated 10.08.2022 (Protocol No. 36), meets the requirements of the legislation of Ukraine, therefore, making changes to it impractical.</p> <p>6. To determine the main directions of the Bank's activity, which are defined in the Appendix to the Meeting Minutes.</p>

14.07.2023	<p>1. To give consent to a significant transaction by the Bank for the purchase of deposit certificates of the National Bank of Ukraine within the framework of the concluded Unified Banking Service Agreement and the provision of other services by the National Bank of Ukraine No. 104694 of 10.02.2022, the total amount of Bank deposits for which will not exceed 100% of the value of the Bank's assets as of the date of the last annual financial statements.</p> <p>To authorize Igor Yuriiovych Tikhonov, Chairman of the Management Board of the Bank, to conclude this transaction and determine its other conditions at his discretion (including the interest rate, maturity date, etc.), as well as the issuance of powers of attorney to Bank employees to sign contracts and other documents related to the implementation of the above-mentioned significant transaction for the purchase by the Bank of deposit certificates of the National Bank of Ukraine within the framework of the concluded Unified Banking Service Agreement and the provision of other services by the National Bank of Ukraine No. 104694 of 10.02.2022.</p> <p>2. To approve the new version of the Regulation on Remuneration of Members of the Supervisory Board of JOINT-STOCK COMPANY "WEST FINANCE AND CREDIT BANK." The previous version of the Regulation shall be declared invalid.</p>
29.08.2023	<p>1. To approve amendments to the Charter of JOINT STOCK COMPANY "WEST FINANCE AND CREDIT BANK" by its presentation in a new version.</p> <p>To authorize the Chairman of the Bank's Management Board (or the person performing his duties) to sign the new version of the Bank's Charter.</p> <p>To authorize the Chairman of the Management Board of the Bank (or the person performing his duties) to perform all necessary actions provided for by the legislation of Ukraine, to approve the new version of the Bank's Charter with the National Bank of Ukraine and state registration of changes thereto.</p> <p>2. To approve amendments to the Regulation on the General Meeting of Shareholders of JOINT-STOCK COMPANY "WEST FINANCE AND CREDIT BANK" by presenting it in a new version.</p> <p>3. To approve amendments to the Regulation on the Supervisory Board of JOINT-STOCK COMPANY "WEST FINANCE AND CREDIT BANK" by presenting it in a new version.</p>

Information on any restrictions on the rights of participation and voting of shareholders (participants) at the General Meeting of the Bank is not provided due to the absence of restrictions.

The procedure for appointment and dismissal of the issuer's officers is determined by the Bank's Charter, the Bank's Supervisory Board Regulations and the Bank's Management Board Regulations.

THE SUPERVISORY BOARD OF THE BANK

The members of the Supervisory Board may be independent members of the Bank's Supervisory Board, members of the Bank and representatives of participants of the Bank. Only an individual may be a member of the Supervisory Board.

The number of members of the Supervisory Board may not be less than five persons and must consist of at least one third of the independent directors, the number of independent directors must be at least three.

Independent directors must comply with the requirements established by current Ukrainian legislation on independence on an ongoing basis throughout the term of office of the Supervisory Board's member. The Bank is obliged to monitor the compliance of independent directors with the requirements regarding their independence, and in case of non-compliance, to ensure the replacement of such independent directors.

The members of the Supervisory Board may not be neither members of the Management Board, nor hold other positions in the Bank under the terms of an employment contract (contract) or provide services to the Bank in accordance with a civil contract.

Members of the Supervisory Board take office after their approval by the National Bank of Ukraine (unless such approval is required).

The term of office of a member of the Supervisory Board is determined in the Charter of the Bank and upon its election, but not more than three years.

The same person may be elected to the Supervisory Board on more than one occasion.

If the number of members of the Supervisory Board is less than half of its required number, the Bank must convene an extraordinary General Meeting within three months to elect the entire membership of the Supervisory Board. If the number of members of the Supervisory Board, whose powers are valid, is half or less than half of its elected by the General Meeting of the quantitative composition, the Supervisory Board may not make decisions except for the decisions on calling an extraordinary General Meeting to elect the entire composition of the Supervisory Board.

In case the Chairman of the Supervisory Board is unable to fulfil his / her powers, one of the members of the Supervisory Board shall exercise his / her authority upon its decision.

The Bank's shareholders have the right to nominate candidates for election to the Supervisory Board of the Bank in accordance with the procedure established by the current legislation of Ukraine, the Bank's Statute, the General Shareholders' Meeting Regulation.

Each shareholder has the right to submit proposals for new candidates to the Bank's Supervisory Board, the number of which may not exceed the quantitative composition of the Supervisory Board.

The shareholder's proposal for the nomination of candidates for election to the Supervisory Board shall be in compliance with the requirements and shall be submitted in accordance with the procedure established by the Regulations on the General Meeting of Shareholders.

The candidates elected to the Supervisory Board are those who received the largest number of votes of shareholders compared to other candidates. If two and/or more candidates received the same number of votes of shareholders, which made it impossible to determine the final composition of the Supervisory Board in accordance with the quantitative limitation of members of the Supervisory Board, the Supervisory Board is considered unformed.

Members of the Bank's Supervisory Board are considered elected, the Bank's Supervisory Board is considered to be formed, only if the full quantitative composition of the Bank's Supervisory Board is elected by cumulative voting.

A member of the Supervisory Board elected as a representative of a shareholder may be recalled or replaced by such shareholder at any time. In case of replacement of a member of the Supervisory Board - a representative of the shareholder, the powers of the recalled member of the Supervisory Board shall be terminated, and the new member of the Supervisory Board shall acquire the powers from the date of receipt by the Bank of a written notice from the shareholder, whose representative is the corresponding member of the Supervisory Board and after its approval by the National Bank of Ukraine (if necessary). At the same time the powers of other members of the Supervisory Board shall not terminate.

The Supervisory Board is a collegial body of the Bank that controls the activities of the Management Board, protects the rights of depositors, other creditors and shareholders of the Bank and, within the competence defined by the Bank's Charter and the current legislation of Ukraine, controls and regulates the activities of the Management Board. The Supervisory Board does not participate in the current management of the Bank. The Supervisory Board acts on the basis of the current legislation, the Bank's Charter, the Regulation on the Bank's Supervisory Board, reports to the General Meeting on its activities, the general condition of the Bank and the measures taken by it to achieve the Bank's goal.

The General Meeting is entitled to decide on early termination the powers of the members of the Supervisory Board and the simultaneous election of new members.

The powers of the member of the Supervisory Board could be terminated without the decision of the General Meeting with simultaneous termination of the contract in the following circumstances:

- at his request, subject to two weeks' written notice to the Bank;
- at his request, in case of impossibility to fulfil the duties of a member of the Supervisory Board for health reasons;
- in the case of the entry into force of a sentence or decision of a court sentenced to punishment, which excludes the possibility of performing the duties of a member of the Supervisory Board;
- in the case of death, recognition of him as incapacitated, of limited to capacity, missing, deceased;
- in case of entry into force of a court decision, according to which a member of the Supervisory Board - an independent director is recognized as such that cannot be considered an independent director and/or a court decision, according to which a member of the Supervisory Board is found guilty of violating the requirements of the Law of Ukraine "On Joint Stock Companies" regarding the duties of Bank officials;
- if the Bank receives a written notice of the replacement of a member of the Supervisory Board who is a representative of the shareholder;
- in case of violation by a member of the Supervisory Board of the requirements for officials of the Bank provided by the Law of Ukraine "On Joint Stock Companies";
- in case of alienation by the shareholder(s), whose representative(s) is a member of the Supervisory Board, of all shares of the Bank belonging to him/her;
- in case of the introduction by the Deposit Guarantee Fund of Individuals of a temporary administration in the Bank or the start of the Bank's liquidation procedure.

Upon termination of the powers of a member of the Supervisory Board, the contract (contract) concluded with him / her is terminated simultaneously.

In 2023 the committees in the Supervisory Board have not been established.

The composition of the Supervisory Board as of 31 December 2023:

- Huseyin Altinbas - Chairman of the Bank's Supervisory Board, who is a representative of the Shareholder.

- Omer Akgul – the member of the Management Board, who is a representative of Shareholder.
- Talip Selchuk Shaldyrak, is an independent member of the Bank's Supervisory Board.
- Koray Akkus is an independent member of the Bank's Supervisory Board.
- Avram Rami Chaim is an independent member of the Bank's Supervisory Board.

THE MANAGEMENT BOARD OF THE BANK

The number of Board members must be at least 3 (three) people. The Board includes the Chairman of the Board, Deputy Chairmen of the Board (if any) and two members of the Board (who may be elected as Vice-Chairmen of the Board). The members of the Management Board are appointed by the Supervisory Board on the recommendation of the Chairman of the Management Board.

The Chairman and the members of the Management Board of the Bank may be persons who have a working relationship with the Bank. The Chairman and the members of the Management Board may not simultaneously be the Chairman, members of the Supervisory Board.

Approval of candidates for members of the Board of Directors for a position, establishment of compliance of a member of the Board of Directors with the established legislative requirements, procedure of notification of the National Bank on non-compliance of a member of the Management Board with established legislative requirements, promotion of a member of the Management Board, informing the Supervisory Board of violations of Ukrainian legislation in the activity of the Bank and the deterioration of the Bank's financial condition or the threat of such deterioration, the level of risks arising from to the Bank's activities, informing the Supervisory Board about the untimely or improper fulfilment of obligations to the Bank by the Bank's related persons' succession planning in the Board shall be carried out in accordance with the procedure established by internal documents of the Bank, taking into account the requirements of the law.

Nominations of the Chairman of the Management Board and the members of the Management Board of the Bank shall be approved by the National Bank of Ukraine in accordance with the requirements and within the terms established by the current legislation and the National Bank of Ukraine. The person elected/appointed to the position of Chairman of the Management Board shall assume this position after approval by the National Bank.

Information regarding changes in the composition of the Management Board shall be submitted by the Bank to the National Bank of Ukraine in accordance with the requirements and within the terms established by the current legislation and the National Bank of Ukraine.

The members of the Management Board may not be persons who are prohibited from holding positions in the governing bodies of the Bank under the current legislation of Ukraine.

The Management Board is appointed by the Bank's Supervisory Board. The term of office of the Chairman of the Board / members of the Board may be determined at their appointment.

Upon appointment, an employment contract / contract is concluded with the Chairman of the Board and the members of the Board. On behalf of the Bank, the employment contract / contract with the Chairman of the Management Board is signed by the Chairman of the Supervisory Board or another person authorized by the Supervisory Board.

Members of the Bank's Management Board, including the Chairman of the Management Board, may at any time be removed from their duties by the Bank's Supervisory Board. The powers of the Chairman and members of the Management Board may be terminated early by the decision of the Bank's Supervisory Board.

The Chairman and members of the Management Board may be reappointed an unlimited number of times.

In the event of termination of the employment contract between the Bank and the Chairman of the Management Board or the removal of the Chairman of the Management Board of the Bank from his / her duties, the Supervisory Board of the Bank may appoint a temporary acting Chairman of the Management Board. The Supervisory Board may suspend the term of office of the Chairman of the Management Board with the simultaneous decision on the appointment of a new Chairman of the Management Board or a person temporarily exercising his / her authority.

The Management Board is a permanent executive body of the Bank, which manages its current activities and organizes the fulfillment of tasks and decisions of the General Meeting and the Supervisory Board of the Bank. As the body that manages the Bank's day-to-day operations, the Management Board is responsible for implementing its objectives, strategies and policies. The Bank's Management Board acts on behalf of the Bank within the powers stipulated by the current legislation, the Bank's Charter, the Regulation on the Management Board and other internal documents of the Bank. The Management Board resolves all issues of the Bank's activities, except for those that fall within the exclusive competence of the General Meeting and the Supervisory Board, and reports to the Supervisory Board.

In the event of termination of the employment contract between the Bank and the Chairman of the Board, failure of the Chairman of the Board to become accredited by National Bank of Ukraine, or removal of the Chairman of the Board from the performance of his duties, the Supervisory Board may appoint a temporary acting Chairman of the Board. In this way, a person appointed as acting Chairman of the Board of Directors shall act within the powers of the Chairman of the Board of Directors of the Bank without a power of attorney and other special powers when representing the Bank and performing transactions (entering into contracts, contracts, agreements).

The executive body of JSC «CREDITWEST BANK» (Management Board of the Bank) as of 31/12/2023 is composed of six members, namely:

Chairman of the Management Board of the Bank – Tykhonov Igor Yuriiovych

Deputy Chairman of the Management Board of the Bank – Sergiy Luskalov Viktorovich

Deputy Chairman of the Management Board of the Bank – Rudenko Svitlana Mykolaiivna

Chief Accountant - Member of the Board – Kuzmenko Igor Mykolayovich

Member of the Board – Lysenko Oleksii Petrovich

Member of the Board – Yaroshenko Serhii Serhiyovych

During 2023, the composition of the Management Board of the Bank has been changed, namely, the Supervisory Board the Supervisory Board decided to appoint two new Members of the Management Board: the Head of Legal Department Mr. Lysenko Oleksii Petrovich and the Head of Treasury and Financial Institutions Department Mr. Yaroshenko Serhii Serhiyovych.

Throughout the year of 2023 facts of violation by the members of the Supervisory Board and the Management Board of JSC «CREDITWEST BANK» of internal rules resulting in damage inflicted on the Bank or consumers of financial services are absent.

Throughout the year of 2023 enforcement actions applied during the year by state authorities to JSC «CREDITWEST BANK», including those applied to the members of the Supervisory Board and Management Board of the Bank, are absent.

Amount of remuneration for the reporting financial year 2023 (fixed):

- Amount of UAH 2,762 thousand was paid to the members of the Supervisory Board, the number of recipients is three;
- Amount of UAH 10,395 thousand was paid to the Management Board of the Bank, number of recipients is six;
- Amount of UAH 7,027 thousand was paid to the other key management personnel of the Bank, the number of recipients is six.

The amount of variable payments for the reporting financial year 2023:

- There were no variable payments for the reporting financial year 2023 to the members of the Supervisory Board;
- Amount of UAH 893 thousand was paid to the Management Board of the Bank;
- There were no variable payments to the other key management personnel of the Bank.

There is no amount of unpaid deferred remuneration to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank for the year 2023.

There is no amount of deferred remuneration for previous financial years paid during 2023 to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank.

There were no hiring payments made in 2023 to the members of the Supervisory Board, the Management Board of the bank and influential people of the bank.

Amounts of redundancy payments made during 2023:

- there were no payments to the members of the Supervisory Board;
- there were no payments to the members of the Management Board;
- to the other key management personnel of the Bank – UAH 225 thousand, the number of recipients - two.

CORPORATE SECRETARY

In accordance with the Bank's Charter, the Corporate Secretary is the person responsible for the Bank's interaction with shareholders and/or investors.

He/she is elected by the Supervisory Board on the proposal of the Chairman of the Supervisory Board.

The Corporate Secretary provides organizational and informational support for the activities of the Bank's governing bodies (General Meeting, Supervisory Board and Management Board), as well as proper informing of shareholders and stakeholders.

The corporate secretary must have the knowledge necessary to perform his/her tasks, an impeccable reputation and enjoy the trust of shareholders.

The Corporate Secretary was appointed by the 28.03.2023 Supervisory Board (Minutes No. 9), and took office as of 31.03.2023.

The activities of the Corporate Secretary are regulated by the Bank's Charter, decisions of the General Meeting of Shareholders and the Supervisory Board, the Regulation on the Corporate Secretary and other internal documents of the Bank.

The Corporate Secretary reports quarterly to the Supervisory Board on the results of her work. The report of the Corporate Secretary for the fourth quarter of 2023 was considered and approved by the Supervisory Board at the meeting on February 13, 2024 (Minutes No. 4). In the reporting period, the Corporate Secretary provided interaction with shareholders and other stakeholders, informing the National Bank of Ukraine and disclosing information, the activities of the Supervisory Board (8 meetings were held) and the Management Board (20 meetings); updating the Regulation on the Management Board of the Bank.

Information about the corporate secretary:

Name: Olena Petrivna Timchenko

Total work experience is over 20 years. Civil service experience of 10 years, experience in the banking sector - more than 5 years. Previous employment: State Enterprise "Printing Plant "Ukraine" for the Production of Securities", Corporate Secretary (4.5 years).

The powers of the previous Corporate Secretary, Liudmyla Levchuk, were terminated and dismissed on March 30, 2023 by the decision of the Supervisory Board on the basis of her application.

The Bank does everything possible to create a better result and balanced risk management. The Bank continues to comply with all internal procedures provided for by the internal risk management and control system. The Bank assesses the following significant types of risks:

- 1) credit risk;
- 2) liquidity risk;
- 3) interest rate risk of the banking book;
- 4) market risk;
- 5) operational risk;
- 6) compliance risk.

The main risks and uncertainties for the Bank's operations are typical for all banking institutions of Ukraine and are standard risks of banking activities. The Bank performs risk management in the course of a continuous process of determination, assessment and monitoring, as well as by establishing risk limits and other measures of internal control. Credit risk is a risk that threatens the Bank's income and capital due to possible failure of the counterparty or a group of counterparties to perform liabilities owed to the Bank. In order to manage credit risk, a financial and economic analysis of counterparties, an analysis of credit and investment projects, the establishment of limits and restrictions for conducting active operations, portfolio risk management, stress testing etc., are carried out.

Main macroeconomic risks:

1. Termination of cooperation with the IMF will create risks for financial stability.
2. Suspending cooperation with other international financial organizations and foreign governments: often the programs of different IFOs are interconnected and require Ukraine to fulfill similar or identical conditions;
3. The deterioration of investors' ratings of the government's financial position and, consequently, an increase of the risk premium for Ukrainian sovereign debt. This could lead to a significant increase in yields during the placement of new issues of sovereign bonds or de facto complete closure of capital markets for Ukraine, if the situation on world markets worsens.
4. Actual closure of access to foreign capital markets of quasi-sovereign issuers - state-owned banks and enterprises;
5. The decline in the interest of foreign investors to invest in the private sector, as a consequence - a reduction in the inflow of private debt capital and foreign direct investment.

The slow progress in the implementation of structural reforms can have the following adverse effect on the development of the banking sector of the state, namely:

- limiting the demand for credit resources and, as a result, the development of lending to enterprises in the real economy sector, while continuing the tendency towards relatively high rate of inflow of deposits in national currency into the banking system;

- reduction of the financial result due to reduction of interest income, increase in the value of the resource base and a devaluation of the currency component of the balance, etc.;
- devaluation of the national currency rate, which may have a negative impact on the ability of debtors to serve foreign currency debt obligations.

Slow structural changes in the economy and the weakness of the legal system remain significant barriers to the development of the banking sector. These factors reduce the efficiency of redistribution of financial resources and hinder the renewal of lending.

High growth rate of retail lending can become a source of increased credit risk both for the Bank and for the banking system and have unfavorable macroeconomic effects.

Inadequacy of collateral collection procedures, as well as the existence of a moratorium on the realization of property for certain types of loan transactions, in case of non-fulfillment by the debtor of obligations under a loan, is a significant risk of possible losses.

In order to minimize credit risks, the Bank provides for the calculation and formation of reserves for the reimbursement of possible losses under active transactions in accordance with the requirements of the international financial reporting standards.

In addition, approaches to evaluation of the level of credit risk according to national standards are constantly being improved. From 03 January 2017, the Bank evaluates credit risk (prudential reserves) taking into account the new requirements of the National Bank of Ukraine for determining the credit exposure in active banking operations, approved by the resolution of the Board of the NBU dated 30 June 2016 No. 351.

The Bank's risk management system is based on the requirements of the banking legislation of Ukraine, international standards in the field of risk management, fully integrated into the activities of the bank and is being improved along with the development of banking business processes.

The procedures implemented within the framework of the risk management system envisage the identification and assessment of risks, including on the basis of an analysis of the condition of the environment, including the preparation and implementation of risk mitigation measures, the development of proposals for the establishment of the system of limits. Credit risk is the most significant type of risk for a bank, therefore special attention is given to its management, as well as control of the quality of loan portfolio. The Bank manages credit risk by:

- establishing a unified methodology for identifying and assessing credit risk;
- organization of an adequate system of crediting legal entities, individual entrepreneurs, individuals corresponding to the interests of the bank, the system of establishing limits on transactions that are prone to credit risk;
- implementation of qualitative and timely analysis of the condition and dynamics of the loan portfolio, norms of safe functioning characterizing the level of credit risk;
- organization of stress testing and identifying the causes and factors that affect the change in the level of credit risk;
- creation of a system of regular and timely information of the credit committee, the Management Board, the Supervisory Board on the level of credit risk.

The Bank introduced a system of internal ratings of corporate clients, which provides a differentiated assessment of the probability of default by debtors of their obligations on the basis of the analysis of quantitative and qualitative factors of credit risk, the degree of their impact on the ability of the debtor to serve and repay the incurred obligations.

The system of internal ratings is actively used in the process of organizing credit work with clients, in particular, in developing new credit products, determining price conditions for conducting active operations.

In order to manage liquidity, the bank uses a combined method that includes management of liquid assets (accumulation of own liquid assets to cover their expected need), management of liabilities (provision of liquidity due to prior termination of agreements on the attraction of monetary funds in the interbank market), as well as elements of the method of balancing active and passive operations by terms (control of the gaps between assets and liabilities by maturity).

In order to comprehensively evaluate the liquidity risk, the bank uses the following methods: coefficient analysis of the liquidity of the balance sheet (financing limit), liquidity gaps evaluation, cash flow analysis and stress testing. Within the framework of the development of liquidity risk management, the bank calculates and monitors the liquidity ratios provided by Basel III.

To manage market risk, the bank uses periodic evaluation of potential losses that may be incurred as a result of adverse market conditions and establishes adequate limits on the amount of allowable losses. Except for currency positions, the Bank does not have significant market risk concentrations. Valuation of currency risk is carried out using the Value-at-Risk method. The current system of currency risk limits, which includes position limits and loss limits, allows the bank to provide an acceptable level of risk.

Interest risk management and control are based on risk assessment using methods of GAP-analysis, modified duration and stress testing that determine the effect of interest rate changes on net interest income and bank capital.

The system of interest rate risk analysis of the Bank includes: analysis of changes in the present value of assets and liabilities, analysis of changes in the value of net interest income, and analysis of gaps of assets and liability sensitive to changes in interest rates. Limits of maximum and minimum interest rates are established, both for active and passive transactions.

The Bank has established and maintains a comprehensive centralized operational risk management system - Committee of operational risk management ("CORM"), which provides for assessment, monitoring and risk control in accordance with regulatory acts of the bank.

Functions of operational risk management are fixed at all levels: Bank's governing bodies, collegial working bodies, structural divisions and responsible persons.

In order to manage the operational risk, the Bank operates a database of incidents of operational risk. Based on database analysis, recommendations are made to optimize business processes.

The Bank has continued work on improving the technological component of the risk management system. In order to automate the processes of assessment and stress-testing of liquidity risk, interest and currency risks.

The existing system of internal audit (control) of the Bank includes normatively regulated measures for evaluating the effectiveness and adequacy of the organization of corporate management in the bank, the internal control system, bank management processes, and evaluation of processes that ensure the bank's activities.

The organization of the internal control system and its individual components in the Bank's system ensures its effective functioning. The internal control system created by the Bank is based on the division of responsibilities between divisions using the model of three lines of protection and is implemented at each of the Bank's organizational levels, namely:

- 1) Supervisory Board of the Bank
- 2) Management Board of the Bank;
- 3) Collegial committees of the Bank;
- 4) Business units, support units;
- 5) Risk management unit and Compliance unit

- 6) Internal audit unit;
- 7) Managers and employees of the bank who carry out internal control in accordance with the authority defined by internal bank documents and are not members of the units of the Bank listed in subclauses 1-6.

The Bank's internal control system ensures the achievement of the Bank's operational, informational, and compliance goals defined in its strategy and business plan.

Within the framework of the Risk Management Strategy and Policy of JSC "CREDITWEST BANK", the Declaration of Risk Proclivity was approved, which defines:

- 1) aggregate level and types of risks that the Bank intends to accept and hold in order to achieve its business objectives. The overall level of risk appetite shall be consistent with the Bank's business model;
- 2) maximum level of risk acceptable for the Bank based on the amount of available resources (capital and liquidity needs) and taking into account the need to comply with the requirements of the National Bank, obligations to investors, depositors, creditors and shareholders;
- 3) quantitative and qualitative indicators that take into account such aspects as capital adequacy, liquidity, operating profitability, and cost of risk. The Bank shall establish risk appetite indicators to ensure that the Bank complies with the established regulatory capital and liquidity ratios;
- 4) level of risk appetite for each type of risk; individual level, which should be the basis for setting limits for each type of risk, as well as a minimum list of quantitative and qualitative indicators of risk appetite for each type of risk;
- 5) calculation of the risk appetite and a list of assumptions used by the bank in such calculation;
- 6) types of risks that the bank should avoid;
- 7) internal and external factors and restrictions affecting the Bank's risk taking.

The declaration also contains information on the level of risk materiality.

Risk limits are developed and approved on the basis of the risk exposure declaration.

The policy on information disclosure was not approved by the issuer.

Human resources, intellectual capital

First of all, the social position of the Bank is its status as an employer on the Ukrainian labor market. The bank provides its employees with competitive employment conditions, provides a full social package and additional benefits in the form of employee insurance, legal advice, and employee safety.

The Bank pays attention to preserving the life and health of employees. In accordance with current legislation, the Bank has created and operates an occupational health and safety management system: relevant internal normative documents have been developed and approved, and those responsible for the implementation of occupational health and safety requirements have been appointed by administrative documents. The Bank invests in the creation of safe and healthy working conditions: purified drinking water is purchased for employees, medical drugs are purchased and provided for the provision of first aid for all divisions of the Bank.

In order to ensure the level of qualification of employees for operational needs within the framework of the regulations on personnel management, the Bank has an employee training system. The Bank carries out its activities in the field of training and development of personnel in accordance with the provisions on personnel management, which ensures the achievement of the desired results of personnel activities in accordance with the strategic tasks of the Bank. Training and development of employees depends on the goals of their professional/operational activities, affects their performance and at the same time provides an opportunity to acquire new knowledge, skills, and abilities. Each employee of the Bank has the right and at the same time is obliged to look for

opportunities for personal professional development, as well as for maintaining the level of their own qualifications and mastering new knowledge and skills.

The training methods used in the Bank include:

- offline and online training (trainings, seminars, webinars, etc.);
- external educational events;
- training by the Bank's internal trainers;
- electronic training;
- study of specialized literature.

In the field of environmental protection, the Bank implements a number of programs, the first place among which belongs to the organization of maximum paperless customer service.

Also, the Bank, as a socially responsible institution, carries out measures to support clients with disabilities, adapting them for the possibility of service, and also promotes their employment - the specific weight of employed people with disabilities is about 4% of the total number of employees of the Bank.

The Bank's charitable activities are aimed at supporting a number of programs. Key in the Bank's activities are financial, labor and technological resources.

The Bank's management policy is aimed at effective management of all types of resources, improvement of the Bank's financial indicators, as well as increasing the value of its assets. Therefore, an important element of corporate management is the regular development, review and approval of the development strategy, as well as the determination of priority areas of activity for both individual business areas and the Bank's activities as a whole. As part of the management system, the Bank uses budget management and planning, as well as a system for monitoring the implementation of plans and evaluating the results of the Bank's activities.

The Bank's most valuable resource is its staff, on which the successful operation of the Bank, its further development and implementation of the Strategy depend.

In order to create a corporate culture, define the ethics of team relations, respect of employees to customers, to each other, to managers and to their business, the Bank has approved a Code of Conduct (Ethics).

Recognizing that investments in qualified personnel form the basis of long-term success, the Bank takes care of improving the qualifications of employees, their motivation, and social security. The Bank conducts measures to improve the professional level of employees. The Bank pays constant attention to the improvement and strengthening of corporate culture, issues of health protection of employees and safety of their working conditions.

At the same time, technological resources are key in the Bank's activities. In this area, on the one hand, the Bank is developing technologies for customer service processes through the automation of a significant part of business processes, which will allow more effective implementation of changes and ongoing management of the Bank. In addition, the Bank supports the stability of its IT system, develops its target architecture, implements projects related to the development and support of critical systems.

Technological resources

According to the Bank's development strategy: provided the Bank maintains a high level of service quality, the Bank continues its course towards digital modernization and a new personalized client experience.

IT and regulations

During 2023, the Bank implemented the following IT infrastructure improvements, namely:

- transition to online payments was made with the introduction of the electronic payment system SEP-4 of the National Bank of Ukraine
- the Register of Non-Residents was introduced and connected to B2 for online work

In the process of development, the Bank pays considerable attention to the construction of IT infrastructure and automation of processes. Currently, the Bank has developed technological and infrastructural resources at its disposal. The bank uses a single centralized ABS.

The Bank has and is constantly improving remote channels for servicing legal entities.

The Bank's server infrastructure includes modern equipment, made taking into account all the requirements of the NBU, information and physical security.

Sustainability report

An important component of ensuring the bank's sustainable development is the system of managing environmental, social and governance (ESG) risks (hereinafter referred to as ESG risks). The Bank's Supervisory Board gradually ensures the integration of ESG into the overall risk management system.

ESG risks

Environmental, social, and governance (ESG) factors are factors that may have both a positive and negative impact on the financial performance or solvency of a business entity or individual, sustainable development of a country, and those related to environmental, social, and governance issues.

Climate, environmental, and social risk management is a system that enables the identification, measurement, monitoring, control, reporting, and mitigation of environmental and social risks caused by the preparation and implementation of a financed project and the activities of the financier on an ongoing basis. Such a risk management system is a mandatory component of the sustainable development policy and is important for financial institutions, their clients (borrowing companies), and investors.

When financing projects, the Bank takes into account risks, impacts and opportunities, in particular Environmental: potential or actual changes in the physical or natural environment (e.g., environmental pollution, impact on biodiversity, carbon emissions, use of natural resources, climate change);

Social: potential or actual effects that have an impact on the local population and, in particular, the workforce (e.g., health and safety, supply chain, diversity and inclusion);

Governance: the corporate governance structure and processes through which companies are managed and controlled (e.g., board structure and diversity, ethical behavior, risk management, disclosure and transparency).

Information on the existence of ties with foreign countries of the risk zone

1. Presence in the issuer's ownership structure of individuals holding the citizenship of a foreign state of a risk zone - none;
2. Presence in the ownership structure of the issuer of individuals whose permanent place of residence is in foreign countries of the risk zone - none;
3. Presence in the ownership structure of the issuer of legal entities registered in foreign countries of the risk zone - none;
4. Presence in the issuer's management bodies of individuals who have the citizenship of a foreign state of the risk zone - none;

5. Location of the issuer's subsidiaries/enterprises, branches, representative offices and/or other separate structural subdivisions in the territory of the risk zone state - none;
6. Presence of legal entities whose founder, participant, shareholder is the issuer together with the persons specified in subparagraphs 1-3 of this paragraph - none;
7. The issuer has corporate rights in a legal entity registered in a foreign country of the risk zone - none;
8. The issuer has no securities (other than shares) of a legal entity registered in a foreign country of the risk zone;
9. The issuer has business relations with counterparties / clients of the risk zone state or counterparties / clients controlled by the risk zone state:

- Information on whether the issuer has business relations with clients/counterparties of the risk zone state or clients/counterparties controlled by the risk zone state for clients/counterparties – individuals

Total value of all contracts, in total for all contracts of individual clients/counterparties (UAH)	5 671,72
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- Information on whether the issuer has business relations with clients/counterparties of the risk zone state or clients/counterparties controlled by the risk zone state (for clients/counterparties - legal entities) - information is not disclosed as it is a banking secret in accordance with the Law of Ukraine "On Banks and Banking Activities".

Data are indicated in the notes to the financial statements.

Notes:

6. Cash and cash equivalents as at 31 December 2023 are as follows: As of 31 December 2023, cash on accounts with the NBU includes the minimum reserve balance that the Bank required to maintain. As of 31 December 2023, the statutory amount of the mandatory reserve was UAH 198 553 thousand (2022: UAH 71 852 thousand).

The Bank considers the mandatory reserve on accounts with the NBU as a component of cash and cash equivalents. As of 31 December 2023, the two largest balances on current accounts placed with other banks comprised UAH 80 506 thousand or 56,33% of total balances on current accounts with other banks (2022: UAH 278 967 thousand or 99,06%)

7. As of December 31, 2023, Investments in securities are represented by certificates of deposit of the National Bank of Ukraine, foreign government debt securities and domestic government loan bonds of the Ministry of Finance of Ukraine.

Certificates of deposit of the National Bank of Ukraine have an interest rate of 15% and maturity in January 2024 and an interest rate of 19% and maturity in March 2024 (2022: 23% with maturity in January 2023). As of December 31, 2023, the certificates of deposit of the National Bank of Ukraine are unvalued and unexpired.

During 2023, the Bank carried out transactions with foreign government debt securities, which were accounted for at fair value.

During 2023, the Bank carried out operations with OVDP in national currency, which were accounted for at amortized cost in the portfolio until maturity.

8. As at 31 December 2023, due from banks are represented by guarantee secured deposit with maturity exceeding three months placed in one bank having rating "CCC" assigned by Fitch ratings or equivalent ratings (2022: one bank, "B- to CCC-") and a deposit with a payment term of up to three months placed in one non-resident bank with a BBB- rating (2022: one bank, "BBB-").

9. As at 31 December 2023, loans and advances to the ten largest borrowers total UAH 647 470 thousand or 63% of the total net loans and advances to customers (2022: UAH 667 650 thousand or 58.7%). The Bank lending activities are conducted in Ukraine. The ability of the borrowers to repay their debt is dependent on a number of factors including the overall financial health of the individual borrowers and the continued development of the Ukrainian economy.

Although collateral can be an important mitigation of credit risk, it is the Bank's policy to lend on the basis of the customer's capacity to repay, rather than rely primarily on the value of collateral offered. Depending on the customer's standing and the type of product, loans may be provided without collateral.

10. Loss from revaluation of investment properties comprised UAH 11 285 thousand in 2023 and were recognized within administrative and other operating income.

Fair value of investment property as at 31 December – UAH 74 203 thousand.

11. Property, plant and equipment and intangible assets. The Bank does not have property, plant and equipment for which there are statutory restrictions on ownership, use and disposal, property, plant and equipment and intangible assets pledged as collateral, property, plant and equipment temporarily unused and property, plant and equipment withdrawn from use. There are no intangible assets for which there are restrictions on the right of ownership, as well as intangible assets that were internally created.

12. Other assets as at 31 December are as follows:

Net book value as at 31 December 2023 – UAH 18 122 thousand.

13. Rent. The amount of rights to use as of December 31, 2023 is UAH 10 885 thousand.

14. As of December 31, 2023, the balance of funds placed by one domestic bank is UAH 40,046,000, and the Bank also has a balance on a LORO type account opened for the Austrian Bank.

As of December 31, 2023 The Bank complied with all terms of credit agreements.

15. As of 31 December 2023, balances on current accounts of the five largest customers total UAH 566 916 thousand or 59% of total balances on current accounts (31 December 2022: UAH 171 918 thousand or 24%).

As of 31 December 2023, deposits from the five largest customers total UAH 233 071 thousand or 34% of total deposits (31 December 2022: UAH 305 534 thousand or 46%).

16. Other assets as of 31 December are as follows:

As of 31 December 2023, Total - UAH 7 337 thousand.

17. As of 31 December 2023, the funds of international financial organizations are represented by loans – 391 799 thousand.

18. As of 31 December 2023, the share capital of the Bank includes 149 962 764 ordinary registered shares with a nominal value of UAH 2.43 per share (31 December 2022: 149 962 764 ordinary shares with a nominal value of UAH 2.43 per share). All shares have equal voting rights. As at 31 December 2023, all shares were fully paid and registered.

No dividends were declared and paid in 2023 and 2022.

19. Commitments and contingencies. As of December 31, 2023, irrevocable loan commitments amount constitutes UAH 5 287 thousand. (2022: UAH 50 thousand).

20. Incomes and expenses analysis.

Interest income and expense for the year are as follows.

Net interest income – UAH 108 763 thousand (2022: UAH 76 531 thousand).

Commission income and expenses for the year ended 31 December is as follows

Net fee and commission income – UAH 38 282 thousand (2022: UAH 23 526 thousand).
Administrative and other operating expenses for the year ended 31 December are as follows
As of 31 December 2023, total - UAH 33 146 thousand (2022: UAH 25 554 thousand).

21. In 2023, expenses for provisioning for expected credit losses amounted to UAH 14,930 thousand (in 2022: UAH 27,058 thousand).

22. The corporate income tax expense comprises
The statutory income tax rate in 2023 was 50% (2022: 18%).

23. Derivatives at fair value through profit or loss
Derivative financial instruments are represented mainly by forward foreign exchange contracts and interbank swaps. As at 31.12.2023, derivative financial assets at fair value through profit or loss amounted to UAH 339 thousand, derivative financial liabilities at fair value through profit or loss amounted to UAH 2 159 thousand.

24. Financial risk management
Management of risk is fundamental to the business of banking and is an essential element of operations. The major risks faced by the Bank are those related to credit exposures, market risk (which includes risk of movements in foreign exchange rates and in interest rates) and liquidity risk.

25. Capital management. The Bank complied with the requirements of the National Bank of Ukraine regarding the value of the regulatory capital adequacy ratio 29.58% as at 31 December 2023 and 28.96% 2022. The Bank complied with the requirements of the National Bank of Ukraine regarding the value of the regulatory capital adequacy standard as of December 31, 2023 and 2022.

26. Balances with related parties. The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the party when making financial and operational decisions. Terms of transactions with related parties are established at the time of the transaction. Related parties comprise entities which are under common control with the Bank, members of the Supervisory Board, key management personnel and their close family members, companies that are controlled or significantly influenced by shareholders, by key management personnel or by their close family members. As at 31 December 2023 and as at 31 December 2022, the ultimate controlling parties of the Bank are JSC “ALTINBAŞ HOLDING ANONİM ŞİRKETİ” and JSC “CREDITWEST FACTORING ANONİM ŞİRKETİ”, which is ultimately controlled by members of Altinbaş family.

27. Fair value measurement. For the financial assets and financial liabilities being liquid or short-term (less than three months), it is assumed that their carrying amount is approximately equal to their fair value. The said assumption also applies to the deposits on demand, savings accounts with no fixed maturity, and floating rate financial instruments. For the instruments carried at amortized cost, the discounting model of cash flows using current market rates for similar financial instruments with a similar status, similar to credit risk and maturity is applied.

During the year of 2023 the assets of the Bank (excluding current reserves) were increased by UAH 366 333 thousand or by 16% and amounted to UAH 2 593 579 thousand (during the year of 2022 year - UAH 2 227 246 thousand). In the structure of assets the largest share belongs to the article "Investments in securities" which constitutes 44% as of 31 December 2023 (as of 31 December 2022 - 25%), "Loans and advances to customers" - 39% (as of 31 December 2022 - 50%), "Cash and cash equivalents" - 9% (as of 31 December 2022 year -15%), "Due from banks" – 3.4% (as of 31 December 2022 – 3.5%), "Intangible assets except goodwill" – 2.9% (as of 31 December 2022 – 4.3%), "Fixed assets" – 0.6% (as of 31 December 2022 – 0.9%), "Other non-financial assets" – 0.4%

(as of 31 December 2022 year – 0.8%). Client assets were decreased by 9.3% to the amount of UAH 1 017 045 thousand (excluding of current provision).

During the year of 2023 there were such changes in the structure of the Bank's loan portfolio, in particular: the share of loans granted to legal entities decreased slightly from 99.12% as of the end of 2022 to 100.00% as of the end of 2023; the share of loans granted to individuals increased respectively from 0.88% to 0.00%.

During the year of 2023 the current provision for the Bank's lending operations have decreased by UAH 36 081 thousand and reached UAH 9 381 thousand.

The total liabilities of the Bank during 2023 increased by UAH 355 577 thousand (or by 20%) and constitutes UAH 2 131 986 thousand as of 31 December 2023. The increase in liabilities took place mainly due to the increase client's funds.

Within the structure of liabilities, the share of funds attracted from clients constitutes 78% (as of 31 December 2022 – 67%), including: attracted to individuals' accounts – 20% (as of 31 December 2022 – 20%), legal entities and individuals-entrepreneurs – 80% (as of 31 December 2022 – 80%). The share of other borrowed funds constitutes 18% (as of 31 December 2022 – 32%).

The authorized and paid share capital of the Bank as of 31 December 2023 amounted to UAH 364 410 thousand. The share capital is divided into 149 962 764 ordinary registered shares with a nominal value of UAH 2.43 each. The majority shareholder of the Bank holds a share in the amount of 58% and 42% of the Bank's shares. The Bank's management does not possess the Bank's shares. The decision of the Bank's supreme body regarding the reduction of the charter capital was not taken.

There were no changes in shareholders holding 10% or more of the voting shares. There was no redemption of own shares.

During the year of 2023, the Bank complied with the economic standards of the National Bank of Ukraine, which, as of 31 December 2023, had the following values:

regulatory capital ratio (H1) – UAH 368 802 thousand

regulatory capital adequacy ratio (H2) – 29.58%

liquidity coverage ratio in all currencies (LCR_{BB}) – 381.06%

liquidity coverage ratio in foreign currencies (LCR_{iB}) – 745.33%

net stable funding ratio (NSFR) – 202.32%.

According to the results of 2023 the Bank received net profit in the amount of UAH 10 810 thousand, against loss for 2022 - UAH 7 760 thousand.

Key items that influenced the financial results for the year of 2023 (information is provided in comparison with 2022):

net interest income – UAH 108 763 thousand against UAH 76 531 thousand;

net commission income – UAH 38 282 thousand against UAH 23 526 thousand;

income from trade in foreign currency (net gain (loss) on foreign exchange operations and net gain (loss) on foreign currency translation) – UAH 13 811 thousand against UAH 8 508 thousand;

administrative and other operating expenses – UAH 33 146 thousand against UAH 25 554 thousand;

formation of provision – UAH 14 930 thousand against the result of formation of reserves in 2022 for the amount of UAH 27 058 thousand.

The share of fee and commission income as of December 31, 2023 increased by 2 pp and amounted to 16% in 2023. Interest income amount to UAH 243 910 thousand, and their share constitutes 80% of all incomes (31 December 2022: 76%).

In the year of 2023, as compared to the previous year, the expenses of the Bank increased by 17% and, as of 31 December 2023, they amounted to UAH 286 509 thousand. Interest expenses amount to UAH 135 147 thousand, and their share constitutes 47% of all expenses (31 December 2022: 42%).

In the Bank there are no facts of alienation of assets in 2023 that exceeds the amount established in the charter.

In the Bank there are no facts of valuation of assets in the event of their sale in 2023, which exceeds the amount established in the charter.

In the course of its ordinary activities, the Bank provides loans and advances, attracts deposits and carries out other transactions with related parties. The parties are deemed to be related in cases where one party has the ability to control the other party or has a significant influence on the other party in making financial and operating decisions. Terms and conditions of transactions with related parties are established at the moment of performance of the transactions. Related parties are jointly controlled commercial entities, members of the Supervisory Board, key management personnel and their close relatives, as well as companies controlled by shareholders, or on which shareholders, key management personnel or their close relatives exercise significant influence.

As of 31 December 2023, the actual controlling party of the Bank is JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is actually controlled by the Altinbas family.

Transaction balances and transactions with related parties as of 31 December are presented as follows:

	2023 thousand UAH
Transaction balances and transactions with Holding company	
<i>Statement of financial position (as of 31 December):</i>	
Loans and advances to clients	-
Funds of clients	3 780
<i>Statement of cumulative income:</i>	
Interest income	-
Interest expenses	2
Wages and related accruals	21 077
Transaction balances with other related parties	
<i>Statement of financial position (as of 31 December):</i>	
Funds of clients	98

The recommendations of the authorities that carry out the state regulation of financial services / markets regarding the auditor's report were not provided to the bank.

During 2023 there was no appointment of an external auditor of the bank's Supervisory Board.

Activities of the external auditor is fulfilled by "Baker Tilly" LLC:

the total length of the audit activity of LLC "Baker Tilly" – 25 years (state registration of the audit company in 1999);

the number of years during which it provides audit services to the Bank – 5 years;

there are no cases of conflicts of interest and/or combination of performance of the functions of the internal auditor.

Rotation of auditors in the bank during the last five years - in 2017 the Bank changed its auditor, in 2019 the Bank changed its auditor.

The Audit Chamber of Ukraine did not apply any charges to the auditor by during the year, and the facts of the submission of false statements by the Bank, confirmed by the auditor's report, revealed by the authorities that carry out the state regulation of financial services markets, are absent.

Protection by the Bank of rights of financial services' consumers:

- the mechanism of consideration of complaints of financial services' consumers is carried out in accordance with the procedure established by the Law of Ukraine "On Protection of Consumer Rights";
- the bank did not assign an employee authorized to consider complaints about financial services;
- the bank has no complaints regarding the provision of financial services in 2022;
- the bank has no lawsuits regarding the provision of financial services in 2022.

Corporate governance in the bank, is carried out in accordance with the regulations of the authorities that carry out the state regulation of financial services' markets.

Confirmation on annual financial statements of JSC «CREDITWEST BANK»

The annual financial statements of JSC "CREDITWEST BANK" are prepared in accordance with International Accounting Standard 1 "Presentation of Financial Statements" (IAS 1), in accordance with the Law of Ukraine "On Accounting and Financial Reporting", contain a reliable and objective presentation of information about the condition of assets, liabilities, financial condition, profits and losses of the bank. The annual report of management includes reliable and objective presentation of information in accordance with part four of Article 40-1 of the Law of Ukraine "On Securities and the Stock Market".

Management declares that the annual financial statements reflect all adjustments necessary for a reliable presentation of the Bank's financial position, the results of its operations, the statement of changes in its own capital and the statement of cash flows for the interim reporting period, its financial results and cash flows for the twelve months that ended on the specified date in accordance with International Financial Reporting Standards (taking into account regulatory acts of the National Bank of Ukraine that regulate the accounting and financial reporting of banks), the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

Management personnel is responsible for the execution and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards (taking into account regulatory acts of the National Bank of Ukraine that regulate the accounting and financial reporting of banks), the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

Mr. Igor Tykhonov



Chairman of the Board

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Joint Stock Company "WEST FINANCE AND CREDIT BANK"

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Joint Stock Company "WEST FINANCE AND CREDIT BANK" (the Bank), which comprise the statement of financial position as at 31 December 2023 and the 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows for the year, then ended, in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" № 996-XIV on 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 of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

The accompanying financial statements have been prepared on the assumption that the Bank will continue its operation on a going concern basis. We draw attention to Note 3 to the financial statements, which deals in particular with the escalation of Russian aggression and invasion by the Russian Federation. It is currently impossible to predict the further negative development of these events and their negative impact on the Bank's financial position and performance. As noted in Note 3, these events or conditions, together with the other issues, indicate that there is material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Management's actions and plans in this regard are also disclosed in Note 3 to the financial statements. These financial statements do not include any adjustments that may result from this uncertainty. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

ТОВ «БЕЙКЕР ТІЛЛІ УКРАЇНА», що провадить свою діяльність під брендом «Baker Tilly», є членом глобальної мережі Baker Tilly International Ltd., членами якої є окремі та незалежні юридичні особи.

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Now, for tomorrow

Key audit matter	How the matter was addressed in the audit
<p>Allowance for expected credit losses on loans and advances to customers – UAH 9 381 thousand</p> <p><i>Refer to Note 9</i></p> <p>We have focused our attention on this matter as a key audit matter due to the materiality of the balances on item “Loans and advances to customers” and the subjective nature of judgements used in calculating the impairment.</p> <p>Allowance for impairment losses reflect the management’s estimate of expected losses based on the portfolios of loans and advances to customers at the reporting date.</p> <p>The measurement of expected credit losses of a financial instrument is carried out in a way that reflects: an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, time value of money and all reasonable and supportable information about past events, current conditions and forecasts of future conditions by reference to all reasonable and supportable information, including that which is forward-looking.</p> <p>Identifying whether there has been a significant increase in credit risk, impairment and determining the recoverable amount involves certain assumptions and analysis of different factors, including the borrower’s financial position, expected future cash flows, observable market prices, fair value of collateral.</p> <p>The use of different models and assumptions can lead to different outcomes in estimation of allowances for impairment losses on loans and advances to customers.</p>	<p>Our audit procedures have included the following:</p> <ul style="list-style-type: none"> - Familiarizing with and testing of the system of internal controls implemented by the management in terms of assigning loans to the stages of impairment, calculating allowances for ECL on loans and advances to customers both on an individual and collective basis. - We have assessed the methodology, approaches and assumptions used by the Bank in relation to historical and macroeconomic information, taking into account the facts and circumstances existing at the reporting date, in estimating expected credit losses on loans and advances to customers, including the determination of probability of default (PD), level of loss given default (LGD) and significant increase in credit risk. As part of the above, we analyzed the Bank’s methodology to determine whether it is appropriate and compliant with IFRS; - For sampled loans, we tested the assumptions underlying the estimation of expected credit losses, including analysis of the borrowers’ financial position, projections of future cash flows and valuation of collateral. For expected credit losses on loans and advances to customers for which no individual impairment indicators were identified, we tested the models used and the inputs used in these models and their mathematical accuracy; - In order to estimate the expected credit losses on a collective basis, the LGD and PD used by the Bank were analyzed by testing on a sample basis the inputs of historical defaults and historical loan repayments and analyzing the corresponding model results, taking into account the necessary adjustments to reflect expected future changes and the impact of the russian federation’s invasion; - For sampled loans, the data in the Bank’s accounting system was reconciled with external confirmations, independently obtained from the borrowers, and the primary documents were tested under alternative procedures where appropriate. <p>In addition, as part of our audit procedures, we assessed the adequacy of the related disclosures about allowances for ECL on loans and advances to customers in the notes to the financial statements.</p>

Other information

Management is responsible for the other information. The other information comprises the information included in the annual management report for 2023 that includes corporate governance report as a separate section (but does not constitute the financial statements and our auditor’s report thereon), which we obtained before the date of this auditor’s report, and securities issuer’s annual information for 2023, which also includes corporate governance report, which is likely to be provided to us after the date of this audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 in respect of the other information contained in the management report for 2023 that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the securities issuer's annual information for 2023, if we conclude that it contains a material misstatement, we will be required to report this matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Now, for tomorrow

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

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

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

From the matters communicated with 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

Report in accordance with the requirements of Article 14, paragraph 4 of Law of Ukraine "On Audit of Financial Statements and Audit Activities" № 2258-VIII ("Law № 2258-VIII»)

Pursuant to the requirements of Article 14, paragraph 4 of Law of Ukraine "On Audit of Financial Statements and Audit Activities", we present in our independent auditor's report the following information required in addition to the International Standards on Auditing:

Auditor appointment and total duration of the audit engagement

We have been appointed as auditor of the Bank for the first time for the statutory audit of the financial statements for the year ended 31 December 2019 by the decision of the Bank's Supervisory Board on 27 September 2019 (Minutes №23). Our appointment was extended by the decision of the Bank's Supervisory Board on 07 September 2023 (Minutes №18) for the statutory audit of the Bank's financial statements for the year ended 31 December 2023. The total duration of continuous performance of our mandate to conduct statutory audit of the Bank's financial statements is 5 years.

Non-audit services and auditor independence

We confirm that, to the best of our knowledge and belief, during the period from the beginning of the reporting year and up to the date of this auditor's report, prohibited non-audit services referred to Article 6, paragraph 4 of Law of Ukraine "On Audit of Financial Statements and Audit Activities" № 2258-VIII were not provided to the Bank or its controlled entities and that the audit engagement partner and audit firm remains independent of the Bank in conducting the audit. In addition, during the reporting period, we have not provided any other services to the Bank or its controlled entities other than statutory audit services, except those that were disclosed in the financial statements or in the management report.

Explanation of the extent to which irregularities, including fraud, were considered reasonably practicable to detect

The extent to which our procedures are able to detect irregularities, including those related to fraud, depends on the nature of the fraud and the complexity of detecting material misstatements in the financial statements as a result, the effectiveness of the Bank's control measures, and the nature, timing and extent of further audit procedures.

We develop and perform audit procedures in accordance with our responsibilities set forth above in the section "Auditor's Responsibilities for the Audit of the Financial Statements" in response to assessed risks of material misstatement due to fraud and to identify non-compliance with laws and regulations that may have a material impact on the financial statements. However, the primary responsibility for preventing and detecting fraud and compliance with laws and regulations lies with those charged with governance and the Bank's management.

We communicated the relevant identified laws and regulations and potential fraud risks to all members of the audit engagement team and remained alert throughout the audit for any indications of fraud or non-compliance with laws and regulations.

Consistency with the supplementary report to the audit committee or its equivalent

We confirm that our independent auditor's report is consistent with the supplementary report to the audit committee or its equivalent that we issued on 04 April 2024.

Other legal and regulatory requirements

Report in accordance with the requirements of Article IV paragraph 11 of the Instruction on the procedure for preparation and publication of financial statements of Ukrainian banks approved by the Resolution of the Board of the National Bank of Ukraine №373 dated 24 October 2011 (with amendments)

Pursuant to the requirements of Article IV paragraph 11 of the Instruction on the procedure for preparation and publication of financial statements of Ukrainian banks approved by the Resolution of the Board of the National Bank of Ukraine №373 dated 24 October 2011 (with amendments) ("Instruction No. 373"), based on the results of the work performed during the audit, taking into account the knowledge and understanding of the Bank's activities and operating conditions formed during the audit, we report the following:

- In our opinion, the Bank's management report for 2023 year, in all material respects, has been prepared in accordance with the requirements of the Article IV of the Instruction No. 373 and the information provided therein is consistent with the financial statements for the reporting period.
- We are required to report if we determine that the management report contains a material misstatement. We have nothing to report in this respect.

Report in accordance with the requirements of paragraph 27 of Section III "Regulations on the procedure for submitting to the National Bank of Ukraine an audit report on the results of the annual audit of financial statements of a bank, banking group and auditing the financial statements of a member of a banking group", approved by the Resolution of the Board of the National Bank of Ukraine №90 dated 02 August 2018

Pursuant to the requirements of "Regulations on the procedure for submitting to the National Bank of Ukraine an audit report on the results of the annual audit of financial statements of a bank, banking group and auditing the financial statements of a member of a banking group", approved by the Resolution of the Board of the National Bank of Ukraine №90 dated 02 August 2018 ("Regulations No.90"), the audit report should also contain information (assessment) regards the following:

1) the compliance (fair presentation) of the data on the distribution of the bank's assets and liabilities by maturities in the file with data from the statistical report A7X "Data on the Structure of Assets and Liabilities by Maturities", prepared by the Bank for submission to the National Bank of Ukraine, as of 1 January of the year following the reporting year;

2) the Bank's compliance with regulations imposed by the National Bank of Ukraine with regard to:

- internal controls;
- internal audit;
- determining the amount of credit risk on active banking operations;
- identification of related parties to the bank and transactions with them;
- determining the adequacy of the bank's capital, which should be determined taking into account the quality of the bank's assets;
- accounting process.

The purpose of the audit was to express an opinion whether the Bank's annual financial statements for 2023 year present fairly, in all material respects, the Bank's financial position in accordance with the International Financial Reporting Standards.

Information presented in this report is the result of our procedures conducted as part of the audit of the Bank's financial statements for 2023 year. The specified information was obtained on the basis of sample testing and to the extent necessary for planning and conducting audit procedures in accordance with the International Standards on Auditing.

This report is intended for the information and use of the Bank's management and the National Bank of Ukraine and may not be used by any other party. When reading this report, as described above, the limited nature of the procedures for assessing matters related to the Bank's operations, organization of accounting and internal control systems, should be taken into account.

In addition, it should be considered that the assessment criteria on those matters related to the Bank's operations, organization of accounting and internal control systems, can be different from the criteria applied by the National Bank of Ukraine.

Based on the results of our audit procedures performed as part of the audit of the annual financial statements, we provide information (assessment) on the abovementioned matters:

As a result of our audit procedures in the course of the annual audit, we have not identify any material deviations in the Bank's presentation of data on the distribution of the Bank's assets and liabilities by maturities in the file with data from the statistical report A7X "Data on the Structure of Assets and Liabilities by Maturities", prepared by the Bank for submission to the National Bank of Ukraine, as of January 1 of the year following the reporting year, namely, as of 01 January 2024.

Regarding the Bank's compliance with regulations imposed by the National Bank of Ukraine with regard to:

On internal control matters

As a result of our audit procedures performed as part of the audit of annual financial statements, we have not identified any evidence that the Bank's internal control structure and measures do not meet the requirements of the regulations of the National Bank of Ukraine, in particular, Resolution of the Board of the National Bank of Ukraine № 88 dated 02 July 2019 "On Approval of the Regulation on the Organization of the Internal Control System in Ukrainian Banks and Banking Groups".

On internal audit matters

In our opinion, at the time of the audit, the Bank's internal regulations governing the internal audit procedures complied with the requirements of the regulations of the National Bank of Ukraine, in particular, Resolution of the Board of the National Bank of Ukraine № 311 dated 10 May 2016 "On Approval of the Regulation on the Organization of Internal Audit in Banks of Ukraine". Internal audit procedures are carried out in compliance with the requirements of the Bank's internal regulations.

On determining the amount of credit risk on active banking operations

The amount of credit risk as at the reporting date was calculated by the Bank in accordance with the requirements of the National Bank of Ukraine regulations, including the Regulation on Determination of Credit Risk for Active Banking Operations by Ukrainian Banks, approved by the Resolution of the Board of the National Bank of Ukraine № 351 dated 30 June 2016 ("NBU Resolution № 351").

As a result of our audit procedures performed as part of the audit of the annual financial statements, we have not identified any material deviations from the Bank's calculation of credit risk as at 31 December 2023.

On identification of related parties to the Bank and transactions with them

As a result of our audit procedures performed as part of the audit of the annual financial statements, we have not identified any evidence of non-compliance of the Bank's risk management system for transactions with related parties, procedures for identifying related parties and transactions with them with the requirements of the regulations of the National Bank of Ukraine. During the audit, we have not identified any violations of regulatory requirements in terms of transactions with related parties.

On the adequacy of the Bank's capital, which should be determined taking into account the quality of the Bank's assets

The Bank determined the authorized capital to be sufficient as of 31 December 2023, which according to the Bank, amounts to UAH 364 410 thousand.

As at 31 December 2023, the Bank's regulatory capital amounted to UAH 368 802 thousand, which complies with the requirements of the regulations of the National Bank of Ukraine (see Note 25 "Capital Management").

On the accounting process

The Bank's accounting system complies with the requirements of the regulations of the National Bank of Ukraine and the Bank's accounting policy.

Additional information provided pursuant to the requirements approved by the decision of the National Securities and Stock Market Commission (the "NSSMC") No. 555 dated 25 July 2021

Pursuant to the "Requirements to the information applicable to the audit or review of the financial statements prepared by the capital market and organized commodity market participants supervised by the National Securities and Stock Market Commission (the "NSSMC)", approved by the decision of the NSSMC No. 555 dated 25 July 2021 (the "NSSMC Requirements"), we report the followings:

- Limited Liability Partnership "BAKER TILLY UKRAINE" (USREOU code: 30373906. Web-page: www.bakertilly.ua) performed an audit of the financial statements of Joint Stock Company "WEST

FINANCE AND CREDIT BANK" (the Bank) under the agreement № 133/23 dated 22 September 2023 in the period from 27 November 2023 to the date of this report.

- The Bank is public interest enterprise in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" № 996-XIV.
- As of 31 December 2023, the Bank had no parent company and no subsidiaries, and was not a controller or a member of a non-banking group.
- Information on the Bank's ownership structure and ultimate beneficial owners, disclosed in Note 1 to the financial statements, in our opinion, corresponds to the information disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.
- The Bank is not subject to the prudential ratios established by the NSSMC for professional participants of capital markets and organized commodity markets in accordance with the "Regulation on prudential ratios for professional activities at stock markets and risk management requirements" approved by the NSSMC Resolution № 1597 dated 01 October 2015.
- The results of the audit of the Revision Commission are not presented, as the Revision Commission did not conduct audits of the Bank's financial and economic activities for the financial year.

Report on the information provided in corporate governance report

Based on the results of the work carried out during the audit, taking into account the knowledge formed in the audit process and understanding of the Bank's activities and conditions of its work, in all material respects:

- the information contained in the Corporate Governance section of the Management Report for 2023 in accordance with the requirements of paragraphs 1-4 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" was prepared in accordance with the requirements of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" and is consistent with the financial statements;
- in our opinion, the information contained in the Corporate Governance section of the Management Report for 2023 contains all the information required by paragraphs 5-9 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets".

The engagement partner on the audit engagement resulting in this independent auditor's report is Yulia Gumenyuk.

Oleksandr Pochkun
General Director

Registration number in the Register of auditors and audit firms: № 100810

BAKER TILLY UKRAINE LLP

Registration number in the Register of auditors and audit firms: 2091



Yulia Gumenyuk
Partner

Registration number in the Register of auditors and audit firms: № 100794

Kyiv, Ukraine

05 April 2024

Limited Liability Partnership "BAKER TILLY UKRAINE"

USREOU code: 30373906

Address of registration: 3 Grekova Street, APT 9, Kyiv, 04112, Ukraine

Location: 28 Fizkultury Street, Kyiv, 03150, Ukraine

Web-page: www.bakertilly.ua

JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK**Statement of financial position as at 31 December 2023***(in thousands of Ukrainian hryvnias)*

	Notes	2023	2022
Assets			
Cash and cash equivalents	6	235 095	334 560
Investments in securities	7	1 139 405	558 703
Due from banks	8	87 777	77 891
Loans and advances to customers	9	1 017 045	1 108 800
Derivative financial assets	23	339	-
Investment property	10	74 203	95 239
Trade and other receivables	12	3 686	2 305
Deferred tax assets	22	3 086	2 230
Income tax overpayment		-	1 898
Intangible assets except goodwill	11	4 055	4 189
Fixed assets	11,13	14 452	20 657
Other financial assets	12	3 816	3 650
Other non-financial assets	12	10 620	17 124
Total assets		2 593 579	2 227 246
Liabilities			
Due to banks	14	40 077	-
Customer accounts	15	1 668 021	1 182 219
Derivative financial liabilities	23	2 159	-
Other borrowings	17	391 799	567 140
Provisions for credit obligations and contracts	16	118	1
Providing rewards to employees	16	5 697	4 721
Other financial liabilities	13,16	18 931	22 328
Current tax liabilities		5 184	-
Total liabilities		2 131 986	1 776 409
Equity			
Share capital	18	364 410	364 410
Unregistered share capital		4 086	4 086
Retained earnings		44 146	33 336
Share premium		2 902	2 902
Reserve and other bank funds		46 049	46 103
Total equity		461 593	450 837
Total liabilities and equity		2 593 579	2 227 246

Signed and authorized for issuance

Mr. Igor Tykhonov

Chairman of the Board

Mr. Igor Kuzmenko

Chief Accountant

05 April 2024



The notes set out on pages 47 – 96 form an integral part of these financial statements.

JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK
Statement of profit or loss and other comprehensive income for the year ended
31 December 2023

(in thousands of Ukrainian hryvnias)

	Notes	2023	2022
Interest income	20	243 910	177 589
Interest expense	20	<u>(135 147)</u>	<u>(101 058)</u>
Net interest income		<u>108 763</u>	<u>76 531</u>
Fee and commission income	20	47 514	32 808
Fee and commission expense	20	<u>(9 232)</u>	<u>(9 282)</u>
Net fee and commission income		<u>38 282</u>	<u>23 526</u>
Net profit (loss) from foreign currency transactions		12 222	12 509
Net profit (loss) from foreign currency revaluation		1 589	(4 001)
Net profit (loss) from revaluation of investment property	10	(11 285)	9 012
Impairment gains and reversals of impairment losses (impairment losses) determined in accordance with IFRS 9	21	(14 930)	(27 058)
Other profits (losses)	20	1 194	2 684
Expenses for payments to employees		(75 126)	(69 726)
Depreciation expenses	20	(7 643)	(7 362)
Administrative and other operating expenses	20	<u>(33 146)</u>	<u>(25 554)</u>
Gain (loss) arising from derecognition of financial assets measured at amortised cost		<u>-</u>	<u>(25)</u>
Profit/(loss) before tax		19 920	(9 464)
Income tax expense	22	<u>(9 110)</u>	<u>1 704</u>
Net profit/(loss) for the year		<u>10 810</u>	<u>(7 760)</u>

The notes set out on pages 47 – 96 form an integral part of these financial statements.

JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK
Statement of profit or loss and other comprehensive income for the year ended
31 December 2023

(in thousands of Ukrainian hryvnias)

	Notes	2023	2022
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Gains (losses) on financial assets at fair value through other comprehensive income, net of tax		(54)	-
Net other comprehensive income, net of tax		<u>(54)</u>	<u>-</u>
Total other comprehensive income for the year		10 756	(7 760)
Profit/(loss) for the period attributable to ordinary shareholders of the Bank		10 810	(7 760)
Average number of shares outstanding for the period		149 962 764	149 962 764
Net income/(loss) per share		0,00007	(0,000052)

Signed and authorized for issuance

Mr. Igor Tykhonov

Chairman of the Board

Mr. Igor Kuzmenko

Chief Accountant

05 April 2024



JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK
Statement of cash flows for the year ended 31 December 2023

(in thousands of Ukrainian hryvnias)

	Notes	2023	2022
Operating activities			
Interest received		229 440	183 967
Interest paid		(132 012)	(101 245)
Fees and commissions received		47 633	32 834
Fees and commissions paid		(9 253)	(9 230)
Net receipts from dealing in foreign currencies		12 223	5 797
Other operating income received		(219)	2 028
Administrative and other operating expenses		(108 734)	(93 340)
Income tax paid		(2 884)	(1 545)
Cash flows from operating activities before change in operating assets and liabilities		36 554	19 266
Changes in operating assets and liabilities			
Change in due from banks		(9 779)	(74 391)
Change in loans and advances		94 947	198 252
(Purchase) repayment of NBU certificates of deposit		(566 258)	29 067
Change in other assets		4 642	(16 307)
Change in due to banks		40 031	(266 804)
Change in due to customers		483 177	104 559
Change in other liabilities		(1 455)	2 531
Cash flows from / (used in) operating activities		81 859	(3 827)
Investing activities			
Purchase of property, equipment and intangible assets		(1 678)	(684)
Proceeds from sale of investment properties		4 601	-
Cash flows from / (used in) investing activities		2 923	(684)
Financing activities			
Proceeds from international and other financial institutions		-	103 824
Repayment of funds received from international financial institutions		(175 567)	-
Cash flows from / (used in) financing activities		(175 567)	103 824
Effect of exchange rate fluctuations on cash and cash equivalents		2 211	4 156
Impact of expected credit losses on cash and cash equivalents		(10 891)	(1 431)
Net increase / (decrease) in cash and cash equivalents		(99 465)	102 032
Cash and cash equivalents as at 1 January	6	334 560	232 528
Cash and cash equivalents as at 31 December	6	235 095	334 560

Signed and authorized for issuance

Mr. Igor Tykhonov

Chairman of the board

Mr. Igor Kuzmenko

Chief Accountant



05 April 2024

The notes set out on pages 47 – 96 form an integral part of these financial statements.

JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK
Statement of changes in equity for the year ended 31 December 2023
(in thousands of Ukrainian hryvnias)

	Share capital	Unregistered share capital	Share premium	Reserve and other funds of the bank	Retained earnings	Total
Balance at 1 January 2022	364 410	4 086	2 902	45 537	41 662	458 597
Loss for the year	-	-	-	-	(7 760)	(7 760)
Formation of reserve and other funds of the bank	-	-	-	566	(566)	-
Total comprehensive income for the year	-	-	-	566	(8 326)	(7 760)
Balance as at 31 December 2022	364 410	4 086	2 902	46 103	33 336	450 837
Profit for the year	-	-	-	-	10 810	10 810
Result from revaluation of financial assets	-	-	-	(54)	-	(54)
Total comprehensive income for the year	-	-	-	(54)	10 810	10 756
Balance as at 31 December 2023	364 410	4 086	2 902	46 049	44 146	461 593

Signed and authorized for issuance

Mr. Igor Tykhonov

Chairman of the Board

Mr. Igor Kuzmenko

Chief Accountant

05 April 2024



1. Background

Organisation and operations

JOINT STOCK COMPANY "WEST FINANCE AND CREDIT BANK" (the Bank) was established as the closed joint stock company according to Ukrainian legislation and registered by the National Bank of Ukraine (the NBU) on 4 October 2006. In January 2009, the Bank was reorganised into open joint-stock company. In January 2011, the Bank changed the form of joint stock company to a public joint stock company. In November 2018, the Bank changed the form of joint-stock company to a private one and changed its name to Joint Stock Company "WEST FINANCE AND CREDIT BANK".

The principal activities of the Bank are lending, deposits taking, cash and settlement operations, operations with foreign exchange, as well as other services. The Bank's activities are regulated by the National Bank of Ukraine.

The head office is located at A A1, 4, Leontovicha Str., Kyiv, Ukraine.

As at 31 December 2023, the Bank had 64 employees (31 December 2022: 77 employees).

On 05 April 2021 The Bank received a register of shareholders from PJSC National Depository of Ukraine, from which it became known about the change of shareholders who own voting shares. Joint Stock Company "CREDITWEST FACTORING", commercial register number 314444-0, directly acquired from Joint Stock Company "ALTINBAS HOLDING" on the basis of a share purchase and sale agreement 62984361 ordinary registered shares, with a par value of UAH 153 051 997,23, which is 42% in the authorized capital of WEST FINANCE AND CREDIT BANK Joint Stock Company.

The ultimate controlling parties of the Bank is ALTINBAS HOLDING ANONIM SIRKETI that owns 58% of the Bank's shares as at 31 December 2023 (31 December 2022: 58%) and CREDITWEST FACTORING that owns 42% of the Bank's shares as at 31 December 2023 (31 December 2022: 42%) that are ultimately controlled by the Altinbas family.

As at 31 December 2023, the Bank's share capital is fully paid in solely via cash contributions in the equivalent of UAH 364 410 thousand. During 2019, there were a reinvestment of the previous year's profits amounted to UAH 56 986 thousand and the part of the subordinated debt were contributed to the share capital in amount of UAH 65,000 thousand in 2018.

The latest issue was conducted in 2018 in the amount of:

- UAH 65,000,001.60 (securities sale-purchase contract #3 dated 6 November 2017 – for 36,111,112 shares, payment order #1 dated 22 December 2017).

The contributions to the share capital of the Bank were used for the activities envisaged by the Bank's Charter.

There were no other financial statements prepared in accordance with the Laws of Ukraine except for annual financial statements and interim quarterly financial statements prepared in accordance with International Financial Reporting Standards.

2. Economic environment of the Bank

The bank operates in Ukraine. After a modest recovery in 2021 from the global economic recession caused by the COVID-19 pandemic, as of February 24, 2022, Ukraine's economy has been hurt by Russia's full-scale war against Ukraine, which continues, exposing unusual risks and challenges to businesses located and operating there.

The invasion was preceded by months of accumulation of Russian troops on the borders of Ukraine, which Russia tried to disguise as training, as well as the escalation of Russian armed aggression against Ukraine, which began in the spring of 2014 in parts of the Luhansk and

JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK
Statement of changes in equity for the year ended 31 December 2023
(in thousands of Ukrainian hryvnias)

Donetsk regions, along with the illegal annexation of the Republic of Crimea by the Russian Federation.

On February 24, 2022, Ukraine introduced martial law and announced general mobilization. After the defeat of Russian troops in northern Ukraine in April 2022, the Armed Forces of Ukraine forced Russia to withdraw its troops from the Kyiv, Chernihiv and Sumy regions. In addition, under significant pressure from Ukrainian troops, the Russians left the right-bank part of the Kherson region in November 2022. As winter approached, Russia shifted its focus to terrorist bombings of critical civilian infrastructure. As a result, Ukraine faced a shortage of electricity. The Armed Forces of Ukraine continue to actively resist the troops of the Russian Federation.

However, the consequences of military aggression are currently the large-scale destruction of civilian infrastructure, including industrial infrastructure, the curtailment, and in some cases, the cessation of work by individual enterprises, the breakdown of logistical ties, the large-scale forced displacement of the population, etc.

In October 2023, the NBU switched to a regime of managed exchange rate flexibility, under which the NBU significantly limits exchange rate movements in both directions. Currency restrictions were also gradually eased. Thus, as of December 31, 2023, the official exchange rate of the National Bank of Ukraine to the US dollar was 37.9824 hryvnias, and to the euro was 42.2079 hryvnias (as of December 31, 2022: 36.5686 and 38.951, accordingly).

Russia's military invasion of Ukraine also affected assessments of Ukraine's solvency by international rating agencies. In 2023, Standard & Poor's credit rating of Ukraine is CCC/CCC+ with a negative forecast. The credit rating of Ukraine by Moody's agency in February 2023 it was raised to Ca with a stable forecast. Ukraine's Fitch credit rating was last reported in CC/ CCC-.

The war significantly affected the activities of the Bank and the results of its activities, as indicated in Note 3 "Going concern".

Management continues to make efforts to identify and mitigate the impact on the Bank, however, there are factors beyond its knowledge or control, including the duration and severity of hostilities, the level of international support for Ukraine, and subsequent government and diplomatic actions.

3. Basis of preparation

General information

These financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter 'IFRSs'), requirements of the National Bank of Ukraine on financial reporting by Ukrainian banks, Ukrainian legislation, and the effective regulations on submission of annual reports by issuers.

During the year ended 31 December 2023, and in process of financial reporting setting, the Bank has consistently applied the accounting policies as set out below. These financial statements are prepared on the historical cost basis, with the exception of the fair value measurement of certain financial instruments and investment properties, which are measured at fair value, unless otherwise stated.

Going concern

These annual financial statements are prepared on a going concern basis. In preparing the financial statements for 2023, management has made an assessment of the Bank's ability to continue as a going concern in the future, taking into account the martial law and military actions in Ukraine, which have had and continue to have significant negative consequences for the Ukrainian economy as a whole and for the Bank's customers.

JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK
Statement of changes in equity for the year ended 31 December 2023

(in thousands of Ukrainian hryvnias)

On February 24, 2022, the Russian Federation launched a full-scale military invasion of Ukraine, which led to the introduction of martial law throughout Ukraine by Presidential Decree No. 64/2022. During 2022-2023, martial law in Ukraine was extended every 90 days. By the Decree of the President of Ukraine No. 49/2024 dated February 5, 2024, martial law was extended for a period of 90 days starting from February 14, 2024. As at the date of authorization of these financial statements, active military operations continue on the territory of Ukraine. The Armed Forces of Ukraine are engaged in heroic resistance, however, some territories of Ukraine are temporarily occupied by the invaders. At the same time, the Russian military has been firing rockets across Ukraine, destroying civilian infrastructure across Ukraine, including hospitals and residential complexes, logistics infrastructure, oil storage and refineries, and other industrial facilities.

In the conditions of a full-scale military invasion, the main goals of the Bank are to ensure the continuous implementation of critical functions and activities in the main areas, as well as the safety of employees and their family members. The Bank's business and operational processes have been adapted taking into account the military operations, which ensures the Bank's ability to carry out all key banking operations. During the war, CREDITWEST BANK did not stop work for a single day. The bank actively cooperates with Ukrainian and foreign businesses, helping enterprises at all stages, creating investment products, lending platforms and much more.

The Bank's staff is fully available and ensures the management of the organization and execution of all critical processes of the Bank in the normal mode of operation. Some employees of the Bank have been transferred to safe regions and continue to work remotely there. The work of the Bank's management bodies is adapted to the challenges of wartime - the Supervisory Board, the Management Board and all committees function and make decisions with sufficient regularity to immediately respond to all the challenges of the current situation. Signing of EDS meeting protocols is ensured, including through the "Vchasno.KEP" electronic documents service.

As of the date of approval of this financial statements, the Bank's critical infrastructure was not affected. The main and reserve equipment of the Bank, aimed at ensuring operations and providing the necessary services to the institution's clients, is located in Kyiv and continues to work without interruption, communication channels work without disruptions. The bank ensures permanent backup of data of critical information systems in Microsoft Azure cloud storage, which will make it possible to quickly restore data from backup copies if necessary.

To ensure continuous payments using B2, the NBU's SEP and SWIFT, backup sites have been created for working in the specified systems in the Microsoft Azure cloud storage and deploying the Bank's systems in the cloud environment (B2, NBU systems, the bank's client with RBI).

The Bank has no assets in the territories temporarily controlled by the occupying forces, and other assets of the Bank were not damaged as a result of military operations.

As a result of the military invasion, the Bank took stricter risk management measures, namely:

- Revised the Risk Management Strategy and Policy;
- Revised risk appetite and limits;
- Focused on liquidity management;
- Invested free funds in NBU certificates of deposit, domestic government bonds, foreign debt securities, and NBU correspondent accounts to avoid liquidity risks and at the same time ensure risk-free interest income;
- Carried out restrained lending to the corporate segment with strict credit risk control;
- Review of macroeconomic forecasts and their consideration in IFRS models when calculating expected credit losses;
- Revised and canceled tariffs for some banking products/services;
- Expanded the possibilities of banking products through an on-line application, which were urgent after the introduction of martial law;
- Actively worked in the direction of reducing operational and administrative costs.

The management's estimates and forecasts were based on the actual results of the Bank's activities for the period from the beginning of the military aggression; measures taken by the

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President, the Government, the regulator and the Bank's Management; attraction of large-scale international support:

- Gradual restoration of the number of active clients of legal entities due to the partial return of business activity to the pre-war level, business migration to safe regions.
- Term deposits of individuals and legal entities will be continued taking into account the tendency of prolongation of deposits, taking into account data already after the start of the war.
- Taking into account the current dynamics, as well as the planned introduction of remote servicing of individuals in 2024 with the possibility of opening customer accounts without physical presence in a branch, which will immediately have a significant impact on the volume of retail deposits, the Bank has planned to increase the share of term deposits of individuals in the structure of the deposit portfolio in 2024.
- Loans and debts of clients will be extended on the condition of proper servicing of accrued interest payments, taking into account current trends.
- The Bank is updating its product line and providing loan products demanded by the market, as well as expanding lending to existing customers (active work with MSME clients on lending is planned), so the Bank plans to increase its loan portfolio in 2024.
- In 2024, the Bank plans to enter into new agreements with international financial organizations in order to support lending to Ukrainian SMEs.
- The Black Sea Trade and Development Bank (BSTDB) Loan Program to support Ukrainian SMEs (balance at the beginning of 2024 - USD 1 million) and the BSTDB Trade Finance Program to support Ukrainian enterprises (balance at the beginning of 2024 - USD 1.5 million) are scheduled to mature in 2024, with a simultaneous further disbursement of new funding under this program in the amount of USD 2.5 million. Negotiations on new financing have already begun. Taking into account the long history of cooperation (there is already a standard procedure for annual receipt of funds under this program), the management has reasonable assumptions that the loan will be extended for another 1 year, and accordingly, when preparing the budget for 2024, the Bank did not include cash outflows on the borrowed funds from the Black Sea Trade and Development Bank.
- Other borrowed funds maturing in 2024 from the Ministry of Finance of Ukraine (final maturity 31.12.2024) in the amount of UAH 32,048 thousand are budgeted by the Bank in 2024 to be repaid according to the schedule, no prolongation is planned.
- Credit risks are increasing in the forecast period, which requires additional provisions for existing assets and stricter credit policy requirements, as well as affects the fair value of financial assets. Accordingly, when making forecasts for 2024, due to the uncertainties associated with the ongoing war, the Bank assumes a deterioration in the quality of the loan portfolio and gradual release of new loans to NPL during 2024.
- In accordance with the planned performance indicators for 2024, the Bank complies with the NBU's regulatory requirements throughout the forecast period.

Since the estimates were based on events that are not similar in scope and impact on the activities of the Bank and the country as a whole in the past, the actual results in the future may differ from the estimates made by the Bank.

Capital

As of the end of the day on December 31, 2023, the standard of adequacy of regulatory capital H2 was 29.58% and the adequacy of core capital H3 was 28.53% with a normative value of 10%.

The values of regulatory capital adequacy standard H2 and core capital adequacy standard H3 significantly exceed the standards established by the regulator and did not require additional measures.

Quality of loan portfolio

The consequences of the war - the destruction of assets and collateral, loss of income and deterioration of the solvency of borrowers reduce their ability to service loans, worsen the quality of the Bank's loan portfolios and lead to an increase in deductions to reserves. However, the Bank has only a few such borrowers.

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The collateral in the temporarily occupied territory for one of the loans is not controlled, which led to an increase in reserves, since such and such collateral is not taken into account when calculating ECL, which indicates that the Bank uses the principle of caution when forming reserves for expected credit losses. At the same time, as of December 31, 2023, the level of provisions does not exceed 0.91% of the loan portfolio (as of December 31, 2022 - 4%), which indicates an improvement in the quality of the loan portfolio.

The Bank conducts flexible restructuring for borrowers with business recovery prospects, and also properly assesses the value of collateral property, recognizing in a timely manner the loss of access to the property, its damage or destruction.

Liquidity

As a result of military aggression and hostilities, which continue, there is an increase in the level of liquidity risk due to a sharp outflow of clients' funds, failure to receive income from assets and, accordingly, the inability to repay one's obligations on time.

At the same time, the Bank has adapted to the martial law environment, in particular due to the support of the NBU, namely, to facilitate banks' access to liquidity, on February 24, 2022, the NBU introduced blank refinancing loans. The Bank used the NBU refinancing for a short time.

As of December 31, 2023, the Bank had a high level of liquidity, as evidenced by the following liquidity standards:

- the actual arithmetic average value of the liquidity coverage ratio for all currencies LCRBB = 381.06%, LCR ratio in foreign currency LCRIB = 745.33%, Net stable funding ratio NSFR = 202.32%;
- in comparison with last year's indicators: LCRBB = 361.06%, LCRIB = 1 797.49%, NSFR = 147.78%.

The assumptions underlying management's estimates of going concern do not take into account external factors that may change in the future, such as changes in the capital market conditions in Ukraine and globally, other and/or macroeconomic impacts not accounted for in the Bank's estimates, geopolitical changes, significant changes in legislation, including banking legislation, changes in reporting and accounting standards, changes in tax legislation, as well as other changes that may occur in the future and over which the Bank has no control.

As at the date of authorization of these financial statements, the Bank's positive assessment of its ability to continue as a going concern is largely dependent on the willingness of its creditors, in particular the Black Sea Trade and Development Bank, to continue to provide funding to the Bank under the current loan programs. Negotiations on new financing have already begun and management believes that, given the long history of cooperation with the lender, new financing will be obtained or the current financing will be prolonged.

However, there is material uncertainty related to the currently unpredictable impact of the ongoing hostilities in Ukraine on the assumptions underlying management's estimates, that may cast significant doubt on the Bank's ability to continue as a going concern and therefore, the Bank may not be able to realize its assets and repay its liabilities in the ordinary course of business.

However, the Bank's management believes that notwithstanding such material uncertainties, taking into account the planned measures to strengthen the Bank's financial stability, the Bank's forecasts and estimates regarding compliance with regulatory requirements, results of operations and the amount of asset impairment provisions provide a reasonable basis to prepare these financial statements on a going concern basis. The Bank's management will review the Bank's going concern once the martial law in Ukraine is lifted.

Functional and presentation currency

Transactions are accounted for in the transaction currency. Items of assets and liabilities, income and expenses arising from dealing in foreign currencies are recognized in the financial statements in UAH equivalent at the official NBU foreign exchange rates ruling at the transaction dates. The financial statements are presented in thousands of Ukrainian hryvnias, unless otherwise indicated.

4. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the presentation of the amount of assets and liabilities in the financial statements, as well as the present value of assets and liabilities for the following fiscal year. Assessments and professional judgments are continually analyzed on the basis of management experience and other factors, including expectations for future events that, in the opinion of management, are justified in the light of current circumstances. In the process of applying accounting policies, the management of the Bank also uses professional judgments. Professional judgments that have the most significant impact on the amounts are reflected in the financial statements, and estimates that may result in significant adjustments to the present value of assets and liabilities during the next fiscal year include the following:

- classification of financial assets: assessment of the business model within which the financial assets are held and assessment of whether the contractual terms of the financial asset provide for the payment of principal only and interest on the outstanding balance of principal.
- expected credit losses (impairment) of financial instruments: assessment of whether there has been a significant increase in credit risk for the asset since its initial recognition, and inclusion of forecast information in the assessment of expected credit losses.

The Bank recognizes expected credit losses on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- receivables;
- issued financial guarantee contracts;
- issued loan commitments.

The bank recognizes reserves for expected credit losses in an amount equal to expected credit losses for the entire term, except for the following instruments, for which the amount of the reserve will be equal to 12-month expected credit losses:

- debt investment securities with low credit risk as of the reporting date;
- other financial instruments for which the credit risk has not increased significantly since their initial recognition.

5. Significant accounting policies

Foreign currency exchange

The Bank's functional currency is Ukrainian hryvnia, as the currency of the Bank's core business environment. Transactions denominated in other currencies are considered foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the NBU exchange rate ruling at that date. Foreign currency differences arising on the exchange are recognized in profit or loss as gain/loss from foreign currency translation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

Currency	31 December 2023	31 December 2022
USD	37,9824	36,5686
EUR	42,2079	38,951

Exchange rates applied to the conversion of assets and liabilities denominated in foreign currencies. The Ukrainian hryvnia is not a convertible currency outside Ukraine. Accordingly, any conversion of UAH amounts to USD should not be construed as a representation that UAH amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or at any other exchange rate.

In preparation of these financial statements, management applied the NBU official rate for the retranslation of the operations and balances in foreign currencies. The NBU official exchange rates are derived from officially published source. Management believes that application of these rates substantially serves comparability purposes.

Financial Instruments

The Bank's accounting policies resulting from of IFRS 9 :

(i) Classification

Upon initial recognition, the Bank classifies financial instruments and determines their model for further measurement. The Bank classifies financial assets based on the business model in which assets are managed and their cash flow characteristics under the host contract.

Financial assets are classified into the following categories:

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI criterion") on the principal amount outstanding.

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments);
- upon initial recognition, designated as at fair value through profit or loss.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI criterion") on the principal amount outstanding.

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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 OCI, i.e. designate such instruments as at FVOCI. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

(ii) Recognition

A financial instrument represents any contract causing origination (increase) of a financial asset for one counterparty and financial liability or equity instrument for the other counterparty.

The Bank recognizes financial assets and liabilities in accounting records, when the Bank becomes a party to the contractual provisions of the instrument. On initial recognition, a financial asset is classified as measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except as in the period after the Bank changes its business model for managing financial assets. The Bank may reclassify financial assets only if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. Accordingly, a change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Modified financial assets

The terms of the loan provided by the agreement can be modified for a number of reasons, including changes in market conditions, customer retention and other factors that are not related to the current or potential deterioration of the client's creditworthiness. Recognition of an existing loan, the terms of which have been modified, may be discontinued and recognition of a new loan with modified terms at fair value is recognized in accordance with the accounting policies described in Note 5 (b) (iv).

If the conditions of a financial asset are modified and the modification does not lead to a cessation of recognition, determining whether there has been a significant increase in credit risk on an asset is made by comparison:

- Likelihood of default for the remaining balance as of the reporting date based on modified contractual terms; and
- probability of default for the remaining term as of the date of initial recognition on the basis of the original terms of the contract.

When a modification leads to a cessation of recognition, a new loan related to Stage 1 (based on the assumption that it is not a loan-depleted one) is recognized.

(iii) Business model assessment

The Bank will make an assessment of the objective of the business model in which a financial 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 that will be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the

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financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and 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
- frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Major types of business models in which a financial asset is managed are as follows:

- a business model whose objective is to hold assets to collect contractual cash flows;
- a business model whose objective is achieved by collecting contractual cash flows and selling financial assets;
- other business models, including: trading, management on a fair value basis, and maximization of cash flows through sales.

In assessing whether the contractual cash flows are solely payments of principal and interest (the SPPI criterion), 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 could 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 for the time value of money – e.g. periodic revision of interest rates.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

All financial assets not classified as measured at amortized cost or at FVOCI as described above are measured at FVTPL.

The Bank's financial liabilities include credit related commitments, guarantees, letters of credit, bills of acceptance and avals issued to banks, and assets receivable. The Bank classifies and measures financial liabilities:

- at amortized cost;
- at fair value through profit or loss.

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Bank assesses the business model in which its financial assets are managed on a regular basis for the purposes of generating cash flows. As at the date of business model assessment, the Bank considers all objective evidence/factors observable at that date.

Transaction costs that are directly attributable to the recognition of a financial instrument, including commissions paid to agents, advisors, brokers, dealers, duties to regulators, stock exchanges, etc., are added to the amount of the discount (premium) for underlying financial instrument. The Bank amortizes the amount of the discount/premium during the period of life of a financial instrument (excluding financial instruments at fair value through profit or loss) using the effective interest method on at least monthly basis. The amount of the discount/premium must be fully amortized by the financial instrument maturity date.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for de-recognition, are measured at amortized cost.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to profit or loss or to equity (if financial assets or financial liabilities resulted from transactions with shareholders acting as shareholders) as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortization of the gains/losses on origination and the related income/expense is recorded in profit or loss using the effective interest method.

(iv) Fair value measurement principles

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 the effect of 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

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 recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported by suitable observable market data or the transaction is closed out.

An estimates of whether the contractual cash flows are exclusively due to the payment of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of a financial asset at its initial recognition. "Interest" is defined as consideration for the value of money in time, for a

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credit risk for a principal outstanding for a certain period of time, and for other basic risks and costs associated with lending (for example, liquidity risk and administrative costs); as well as profit margins.

In assessing whether the contractual cash flows are exclusively due to principal and interest on an outstanding portion of the principal ("SPPI" criterion), the Bank analyzes the contractual terms of a financial instrument, namely whether a financial asset contains a contractual clause that may change the timing or amount of cash flows provided for by the agreement so that the financial asset will not meet the requirement. In conducting the assessment, the Bank analyzes:

- Contingencies that may change the timing or amount of cash flows;
- conditions that have leverage effect on cash flows;
- conditions for early repayment and prolongation of validity;
- conditions that limit the Bank's cash flows from contingent assets - for example, non-recourse financial assets;
- Conditions that cause changes in the reimbursement of the temporary value of money - for example, periodic revision of interest rates.

The prepayment condition meets the SPPI criterion in the event that the amount paid at prepayment is essentially an outstanding portion of the principal and interest on the outstanding portion and may include reasonable additional compensation for early termination of the contract.

In addition, the prepayment clause is considered to be in compliance with this criterion in the event that a financial asset is acquired or created with a premium or a discount on the nominal amount specified in the contract; the amount payable at early repayment is, in essence, the nominal amount specified in the contract plus the accrued (but not paid) interest stipulated by the contract (and may also include reasonable additional compensation for early termination of the contract); and when the initial recognition of a financial asset is a fair value, its terms of early repayment are insignificant.

Reclassification of financial assets is carried out prospectively only in case of changing the business model within which they are held.

Financial liabilities and equity instruments, as well as financial assets that were classified at the Bank's discretion as fair value with the result recognition through profit or loss, are not subject to reclassification.

Initial recognition of financial instruments

Financial instruments initially recognized at fair value through profit or loss are carried at fair value. The costs of acquiring such financial instruments are recorded on expense accounts at the date they are incurred.

All other financial instruments at initial recognition are measured at fair value plus transaction costs added / deducted. The transaction costs and other payments directly related to the recognition of a financial instrument are shown on the discount account (premium) for this financial instrument.

The transaction costs include fees paid to agents, consultants, brokers and dealers, regulatory bodies, stock exchanges, taxes and state taxes, etc.

The transaction costs and commission income, which are an integral part of the financial instrument's return (excluding financial instruments at fair value through profit or loss) are recognized in the initial value of the financial instrument and are accounted for when calculating the effective interest rates on such a financial instrument.

Termination of recognition of financial instruments

Financial assets

Termination of recognition of financial assets occurs if:

- the validity period of the rights to cash flows determined by the terms of a financial asset agreement expires;
- the transfer of a financial asset meets the criteria for termination;
- write-off of a financial asset at the expense of the reserve.

The transfer of a financial asset occurs if one of the following conditions is met:

- transferred the rights to receive cash flows from a financial asset, which are stipulated by the agreement;
- the rights to receive cash flows from a financial asset that are stipulated by the transfer agreement are retained, but there is an obligation to pay cash flows to one or more recipients under an agreement that meets the following conditions:
 - there is no obligation to pay amounts to final buyers until the date of receipt of equivalent amounts from the original asset;
 - the terms of the agreement prohibit the Bank from selling or pledging an original financial asset, except for its transfer to the final beneficiaries as a provision for the obligation to pay cash flows;
 - there is an obligation to transfer any cash flows received on behalf of the final recipients without significant delay. Interest on such investments is passed on to final recipients.

When transferring a financial asset, the limits are estimated, in which all risks and rewards of ownership of an asset are kept, taking into account the following:

- if, basically, all risks and rewards of ownership of the financial asset are transferred, then the recognition of the financial asset is discontinued and the rights and obligations created or retained during the transfer, separately as an asset or liability, are recognized;
- if, basically, all risks and rewards of ownership of the financial asset are preserved, then the recognition of the financial asset continues;
- if, basically, all risks and rewards of ownership of the financial asset are not preserved or transferred, then it is determined whether the control over the financial asset is retained.

The control of the transferred asset is not available if the party to whom the asset is transferred has the real ability to sell it to an unrelated third party and may sell this sale unilaterally without the need to impose additional restrictions on such transfer.

If the control over a financial asset is not retained, the recognition of such an asset is terminated, otherwise, if the control over the financial asset is retained, its recognition continues to be recognized within the further participation therein.

When a financial asset is derecognised, the difference between the carrying amount of the asset (or the carrying amount attributed to the part of the asset that was derecognised) and the amount (i) of the consideration received (including all new assets received, minus all new liabilities accepted), and (ii) any accumulated gain or loss that has been recognized in other comprehensive income is recognized in profit or loss.

In operations in which the Bank does not retain and does not transfer virtually all risks and rewards of ownership of a financial asset and retains control over an asset, the Bank continues to recognize the asset.

(v) Loss allowance for expected credit losses

The Bank recognizes loss allowance for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets measured at amortized cost;

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- financial assets at fair value through other comprehensive income;
- outstanding credit related commitments and financial guarantees;
- financial receivables.

No allowance is recognized for equity instruments. Loss allowance should be recognized at an amount equal to either 12-month ECLs or lifetime ECLs. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into measurement of ECLs.

(vi) Measurement of ECLs

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

(vii) Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Bank uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk stages are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk stages 1 and 2 is smaller than the difference between credit risk stages 2 and 3.

Each exposure is allocated to a credit risk stage on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk stage.

For financial assets that have become credit-impaired (recognized as at Stage 3) subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Significant increase in credit risk

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative

information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date with the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, which is discussed below.

Determining whether credit risk has increased significantly

The Bank is in the process of developing a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly vary by portfolio and include a backstop based on delinquency.

In certain instances, using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Bad debt is recognized and written off against the provision at the decision of the Management Board. Once the bad debt is written off against the provision, it is carried on the off-balance sheet accounts during the period specified by Ukrainian law

In particular, the Bank determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining the allowance amount include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected revenues, feasibility of other financial support, the realizable value of collateral, and the timing of the expected cash flows.

Definition of default

A financial asset is considered to be defaulted by the Bank in the following cases:

- it is unlikely that the borrower's credit obligations to the Bank will be repaid in full without collateral foreclosure;
- the borrower's debt on any credit obligation to the Bank, such as overdue interest payments and / or principal and / or other payments under the agreement, is overdue for more than 90 days (for balances in other banks default event occurs if the financial asset is overdue for 30 days);
- change in lending conditions related to debt restructuring, while the impairment test has not been passed (possible impairment);
- the beginning of the process of termination / bankruptcy / reorganization / liquidation / termination of the borrower;
- initiation by the Bank of a lawsuit to recover the debt and / or open a criminal case against the party to the agreement / its head / owner;
- the disappearance of an active market for a financial asset or financial liability due to financial difficulties;
- one of the debtor's assets was written off the debt at the expense of the formed provision;
- one of the debtor's assets was sold at a loss of 20 percent or more of the debt;

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- purchase or creation of a financial asset or financial liability at a large discount that reflects incurred credit losses;
- for legal entities - class 10, for individuals - class 5;
- death of a client - an individual, an individual entrepreneur.

(viii) Gains and losses on subsequent measurement

The main inputs for the estimation of expected credit losses is the time structure of these variables:

- Default probability (PD);
- loss given default (LGD);
- The exposure in the event of default (EAD).

ECL for positions exposed to credit risk at Stage 1 are calculated by multiplying the PD by 12 months for LGD and EAD. ECL for the entire life of a financial instrument is calculated by multiplying PD for the entire duration of the financial instrument on LGD and EAD.

The Bank evaluates LGDs based on information on returns on claims against defaulted counterparties. LGDs provide for the structure, provision, seniority requirements, counterparty industry, and reimbursement of any collateral that is included in the financial asset. For loans secured by real estate individuals, the ratio between the loan amount and the value of the collateral (LTV) will be the main parameter for determining the magnitude of the loss in the event of default. Estimates of the magnitude of the loss in the event of default are calibrated taking into account different economic scenarios, and for lending real estate transactions - taking into account the possible changes in real estate prices. They are calculated on the basis of discounting cash flows using an effective interest rate as a discount factor.

The risk-of-default amount (EAD) is the expected value of a position exposed to credit risk at the date of default. This indicator is calculated by the Bank on the basis of the current value of the exposed position and its possible changes in the contract, including depreciation. For an financial asset, the value of EAD will be its gross carrying value at the time of default. For loan commitments, the EAD is the future amount that can be obtained under a contract, measured on the basis of historical observations and forecast information.

As described above, subject to the maximum probability of a 12-month default probability for financial assets in Stage 1, the Bank estimates expected credit losses, taking into account the risk of default within the maximum contractual period (including any borrower's options for prolongation) during which it is exposed for credit risk, even if for the purposes of risk management, the Bank considers a longer period. The maximum period under the agreement extends until the date when the Bank has the right to demand repayment of the granted loan or has the right to cancel the loan or guarantee obligation.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at cost less accumulated depreciation and amortization and impairment losses. Depreciation and amortization is computed by the straight-line method over the estimated useful lives of the assets. Depreciation commences from the date when property and equipment are ready to use. The estimated useful lives are as follows:

Plant and equipment	5 years;
Motor vehicles	5 years;
Intangible assets	3 years

Expenditures for leasehold improvements are recognized as assets and expensed on a straight-line basis over the shorter of two periods: their economic life or the term of the applicable lease.

Investment property

Investment property is property held either to earn rental income or for capital appreciation, or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. The fair value of the Bank's investment property is determined based on reports of the internal appraiser with relevant professional qualification and experience in valuation of property of similar location and category.

Property transferred to the ownership of the bank as a pledge holder

The property transferred to the Bank as a pledgee are non-financial assets received by the Bank in settlement of overdue loans. These assets upon initial recognition are recognized at the lower of two values: the fair value of the property or the book value of the corresponding loans. In the future, the Bank values such assets at the lower of two values: book value and net realizable value. The Bank's policy is to dispose of assets in the ordinary course of business. In general, the Bank does not use property transferred to the Bank as a pledgee in commercial activities.

Investments in securities

The Bank determines the category of securities assessment in accordance with the business model and SPPI criteria:

1) Investment securities are accounted for at amortized cost (AC) if both of the following conditions are met:

(a) the asset corresponds to a business model whose purpose is to hold the asset to collect contractual cash flows;

(b) the contractual terms of the financial asset provide, on certain dates, for the receipt of cash flows that are only principal repayments and interest payments on the outstanding principal amount.

2) Investment securities are accounted for at fair value through other comprehensive income (OCI) if:

(a) the asset corresponds to a business model whose purpose is to hold assets to collect contractual cash flows and sell financial assets;

(b) the contractual terms of the financial asset provide, on certain dates, for the receipt of cash flows that are only principal repayments and interest payments on the outstanding principal amount.

After initial recognition, such securities are measured at fair value with the revaluation result included in other comprehensive income, except for impairment losses, gains or losses on foreign currency transactions and interest income accrued using the effective interest method, which are recognized directly in profit or loss statement. On sale, the gain/loss previously recognized in other comprehensive income is reclassified to profit or loss.

3) Investment securities are accounted for at fair value through profit or loss ("FVTPL"), unless they are measured at amortized cost or at fair value with the result of revaluation reflected in other comprehensive income. The embedded option is accounted for with the main instrument. At each reporting date, investment securities are remeasured to fair value through profit or loss, with an embedded fair value option.

Share capital and issue income

Ordinary shares are shown in the composition of capital. Expenses directly related to the issue of new shares are shown in equity as a reduction of net income. The excess of the fair value of the amounts contributed to the capital over the nominal value of the issued shares is accounted for in the composition of the capital as issue income.

Lease

IFRS 16 introduces a single lessee accounting model for leases, which requires them to be recognized on the lessee's balance sheet. Under this model, a lessee must recognize a right-of-use asset, which represents the right to use the underlying asset, and a lease liability, which

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represents the obligation to make lease payments. There are optional exemptions from the standard's requirements for short-term leases and leases of low-value, non-expendable items. Lessors continue to classify leases as either finance leases or operating leases.

As a lessee, at the date of initial application of IFRS 16, the Bank could have applied the standard using:

- retrospective approach; or
- a modified retrospective approach with the optional exemption from the requirements of a standard of a practical nature.

The lessee applies the chosen option consistently to all lease agreements in which he acts as a tenant.

The Bank has applied IFRS 16 as of January 1, 2019, using a modified retrospective approach using the option to recognize an asset for use in an amount equal to a lease, adjusted for the amount of any advance paid or leased charges related with this lease, recognized in the statement of financial position just before the date of the first application. This approach allows the presentation of financial statements without the transfer of comparative information for the previous period.

The Bank is not obliged to make any adjustments under the lease agreements in which the Bank acts as a lessor, except for cases when the Bank is an intermediate lessor under a sublease agreement.

The Bank has completed the initial assessment of the possible impact of the application of IFRS 16 on its financial statements, as well as completed a detailed assessment. The actual impact of the application of IFRS 16 on the financial statements in the first application period depended on future economic conditions, the composition of the lease contract portfolio, the Bank's assessment of whether it intends to exercise its rights to extend the lease, and which of the available simplifications in the standard of a practical nature and the Bank decides to apply exemptions.

The Bank will recognize new assets and liabilities under operating leases of office premises. In addition, the nature of the costs recognized in respect of these leases will change as, in accordance with IFRS 16, instead of operating lease expenses recognized on a straight-line basis over the term of the relevant contract, the Bank will have to reflect depreciation costs in the form of the right of use and interest expense relating to lease liabilities.

Previously, the Bank recognized the operating lease costs on a straight-line basis over the entire lease term and recognized assets and liabilities only to the extent that there was a difference between the actual payouts for the lease and the recognized expense.

Recognition of income and expense

Interest and similar income and income expense and similar charges are recognized in profit or loss on an accrual basis, taking into account the effective yield/rate of the asset/liability or an applicable floating rate. Interest and similar income and income expense and similar expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Commission income and expense is recognized on an accrual basis. Other fees, commission and other income are recognized when the corresponding services are provided/received.

Loan origination fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the statement of financial position date plus and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Employee benefits

Pensions are provided by the State via mandatory contributions, which are made by the Bank and employees based on each individual employee's earnings. The cost for these contributions is recognized in profit or loss when contributions are due and is included in salaries and employee benefits as part of administrative and other operating expenses.

Cash and cash equivalents

Cash and cash equivalents include cash, balances with the National Bank of Ukraine and balances due from banks with contractual maturity within three months.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Calculation of interest income and expenses

Interest income on financial assets measured at amortized cost is recognized at the effective interest rate to gross book value, except:

- purchased or created depreciated financial assets. For such financial assets, the effective interest rate adjusted for credit risk is applied to the amortized cost of the financial asset from the date of initial recognition. The calculation of interest income on such assets is not carried out based on the gross carrying amount, even if the credit risk on them will decrease further. ;
- financial assets that are not acquired or created by impaired financial assets, but which subsequently became depreciated financial assets. In the case of such financial assets, the Bank shall apply the effective interest rate to the amortized cost of the financial asset in subsequent years after the date of recognition in the impaired reporting periods. If the financial asset is no longer loan-denominated, then the calculation of interest income is again based on gross book value.

The effective interest rate is revised as a result of the periodic revaluation of cash flows for interest bearing instruments in order to reflect changes in market interest rates.

Submitting of information

Interest income calculated using the effective interest method presented in the statement of income and other comprehensive income includes interest income calculated using the effective interest method for financial assets measured at amortized cost.

Interest expense presented in the statement of income and other comprehensive income includes financial liabilities measured at amortized cost.

Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

For management reporting purposes, the Bank represents one reportable segment that has central management and follows common lending policy and marketing strategy.

Impairment of assets

For each class of assets, the Bank discloses the following information

(a) the amount of impairment losses recognized in profit or loss during the period and the line item(s) of the statement of comprehensive income in which the impairment losses are included;

(b) the amount of reversals of impairment losses recognized in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are reversed;

(c) the amount of impairment losses on revalued assets recognized in other comprehensive income during the period;

(d) the amount of reversals of impairment losses on revalued assets recognized in other comprehensive income during the period.

The Bank discloses the following information for each significant impairment loss recognized or reversed during the period for each individual asset (including goodwill) or for each cash-generating unit

a) the events and circumstances that led to the impairment loss being recognized or reversed;

(b) the amount of the impairment loss recognized or reversed;

c) for an individual asset:

- the nature of the asset;

d) for a cash-generating unit: the nature of the asset; and

- A description of the cash-generating unit (e.g., whether it is a product range, plant, business, geographical region or a reportable segment as defined in IFRS 8)

- The amount of the impairment loss recognized or reversed for the asset class and for the reporting segment;

- If the aggregation of assets for the cash-generating unit has changed since the previous assessment of the cash-generating unit's recoverable amount, the Bank describes the current and previous aggregation of assets and the reasons for the change in the aggregation;

(e) whether the recoverable amount of the asset (cash-generating unit) is fair value less costs of disposal or value in use;

(f) if the recoverable amount is fair value less costs of disposal, the Bank discloses such information:

- the level within the fair value hierarchy within which the fair value measurement of the asset (cash-generating unit) is categorized in its entirety (without regard to whether there are any "costs of disposal");

- for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used to measure fair value less costs of disposal. If there has been a change in a valuation technique, the Bank discloses the change and the reason(s) for the change; and

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- For fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, each key assumption on which management relied in determining fair value less costs of disposal. Key assumptions are those to which the recoverable amount of the asset (cash-generating unit) is most sensitive. The Bank discloses information about the discount rate(s) used in the current measurement and the previous measurement if fair value less costs of disposal is measured using the current value method.

(g) If the recoverable amount is value in use, the discount rate(s) used in the current measurement and in the previous measurement, if any, of value in use.

New Accounting Requierements

New and amended IFRS Standards that are effective for the current year

In the current year, the Bank applied a number of amendments to IFRS standards and interpretations issued by the IASB Board, effective for the period of the year beginning on or after January 1, 2023.

- IFRS 17 "Insurance Contracts"
- Amendments to IFRS 17 - "Extension of Temporary Exemption from the Application of IFRS 9" (Amendments to IFRS 4)
- Amendments to IAS 1 - "Classification of liabilities as short-term or long-term"
- Amendments to IAS 8 - "Definition of accounting estimates"
- Amendments to IAS 12 - "Deferred tax related to assets and liabilities arising from a single transaction"
- Amendments to IAS 12 - " International tax reform – typical rules of the Second Component".

The Bank has not prematurely applied any other standards, clarifications or amendments that have been issued but have not yet entered into force.

Their application did not have a material effect on the disclosures or the amounts shown in these financial statements.

New and revised IFRS Standards which are issued but not yet effective

As of the date of approval of these financial statements, the Bank has not applied any of the following new or revised standards that have been issued but have not yet entered into force:

	<i>Effective date</i>
Amendments to IFRS 1 - " Classification of liabilities as current and non-current"	January 1, 2024
Amendments to IFRS 1 - " Non-current liabilities with special conditions"	January 1, 2024
Amendments to IFRS 16 – "Lease Obligations and Sale-Leasebacks"	January 1, 2024
Amendments to IFRS 7 – "Supplier financing agreements"	January 1, 2024
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - Non-convertibility	January 1, 2024
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	Postponed indefinitely

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The Management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

Comparative information

Certain comparative figures have been reclassified to conform to the presentation of the current reporting period.

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2023 are as follows:

	2023	2022
Cash on hand	11 347	20 172
Balances with the NBU	93 767	34 836
Current accounts placed with other banks	142 929	281 609
Reserves for expected credit losses (Note 21)	(12 948)	(2 057)
Total	235 095	334 560

Effective 25 December 2017, the NBU amended the requirements regarding the mandatory reserve on the correspondent account with the NBU. In accordance with Resolution No. 752-pw of the Management Board of the National Bank of Ukraine dated 23 December 2017 “On creation and maintenance of mandatory reserves”, the control over the balance of the mandatory reserve on the correspondent account with the National Bank of Ukraine on a daily basis was cancelled. As at 31 December 2023, the statutory amount of the mandatory reserve was UAH 198 553 thousand (2022: 71 852 UAH thousand).

The following table represents an analysis of current amounts due from banks by rating agency designation based on Standard and Poor’s ratings (S&P) or their equivalents as at 31 December:

	2023	2022
Current accounts placed with other banks:		
BBB- to A+	42 041	277 418
BB- to BB+	199	466
CC- to CC+	87 741	1 668
	129 981	279 552

As at 31 December 2023, the two largest balances on current accounts placed with other banks comprised UAH 80 506 thousand or 56.33% of total balances on current accounts with other banks (2022: UAH 278 967 thousand or 99.06%).

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7. Investments in securities

As of December 31, 2023, Investments in securities are represented by certificates of deposit of the National Bank of Ukraine, foreign government debt securities and domestic government loan bonds of the Ministry of Finance of Ukraine:

	2023	2022
NBU certificates of deposit	943 537	558 703
Domestic government loan bonds	132 774	-
Foreign government debt securities	63 094	-
Reserves for expected credit losses (Note 21)	-	-
Total	1 139 405	558 703

Certificates of deposit of the National Bank of Ukraine have an interest rate of 15% and maturity in January 2024 and an interest rate of 19% and maturity in March 2024 (2022: 23% with maturity in January 2023). As of December 31, 2023, the certificates of deposit of the National Bank of Ukraine are unvalued and unexpired.

During 2023, the Bank carried out transactions with foreign government debt securities, which were accounted for at fair value.

In determining the fair value of foreign government debt securities as at 31.12.2023, the Bank used the market approach and used inputs for the first level of the fair value hierarchy - quoted prices for debt securities in active markets.

During 2023, the Bank carried out operations with Domestic government loan bonds in national currency, which were accounted for at amortized cost in the portfolio until maturity.

8. Due from banks

As at 31 December 2023, due from banks are represented by guarantee secured deposit with maturity exceeding three months placed in one bank having rating "CCC" assigned by Fitch ratings or equivalent ratings (2022: one bank, "B- to CCC-") and a deposit with a payment term of up to three months placed in one non-resident bank with a BBB- rating (2022: one bank, "BBB-").

	2023	2022
Deposits are placed with a maturity of less than three months	82 753	73 157
Deposits are placed, the repayment term is more than 3 months	5 128	4 937
Reserves for expected credit losses (Note 21)	(104)	(203)
Total	87 777	77 891

9. Loans and advances to customers

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

	2023	2022
Corporate	1 026 375	1 144 101
Individuals	51	10 161
Total loans, gross	1 026 426	1 154 262
Provision for impairment of loans and advances to customers (Note 21)	(9 381)	(45 462)
Total	1 017 045	1 108 800

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The changes in the provision for expected credit losses on loans to customers at amortized cost during 2023 are presented as follows:

	Level 1	Level 2	Level 3	Purchased or originated credit- impaired assets	Total
ECL as at 1 January 2023	1 173	1 895	41 684	710	45 462
Loans transferred to Stage 1 - Credit losses expected within 12 months	-	-	-	-	-
Loans transferred to Stage 2 - Credit losses expected to be incurred over the life of the loan - not impaired	(7)	7	-	-	-
Loans transferred to Stage 3 - Credit losses expected to be incurred over the life of the loan – Impairment	-	-	-	-	-
Net provision for loan impairment	7 042	(1 688)	(434)	(427)	4 493
Write-off against provisions or sale during the period	-	-	(40 610)	-	(40 610)
Increase in allowances for credit losses to reflect accumulated contractual interest arrears	-	-	36	-	36
ECL as at 31 December 2023	8 208	214	676	283	9 381

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The changes in the provision for expected credit losses on loans to customers at amortized cost during 2022 are presented as follows:

	Level 1	Level 2	Level 3	Purchased or originated credit- impaired assets	Total
ECL as at 1 January 2022	878	105	25 951	1	26 935
Loans transferred to Stage 1 - Credit losses expected within 12 months	72	(72)	-	-	-
Loans transferred to Stage 2 - Credit losses expected to be incurred over the life of the loan - not impaired	-	-	-	-	-
Loans transferred to Stage 3 - Credit losses expected to be incurred over the life of the loan – Impairment	-	-	-	-	-
Net provision for loan impairment	223	1 862	27 578	709	30 372
Write-off against provisions or sale during the period	-	-	(11 583)	-	(11 583)
Increase in allowances for credit losses to reflect accumulated contractual interest arrears	-	-	(262)	-	(262)
ECL as at 31 December 2022	1 173	1 895	41 684	710	45 462

Significant credit risk concentration

As at 31 December 2023, loans and advances to the ten largest borrowers total UAH 647 470 thousand or 63% of the total net loans and advances to customers (2022: UAH 677 650 thousand or 58.7%).

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Loan impairment

At 31 December 2023, loans impairment was as follows:

		Standard	Under observati on	Impairm ented	Total
Loans to customers at amortized cost					
Loans to legal entities	Stage 1	908 701	-	-	908 701
	Stage 2	-	42 674	-	42 674
	Stage 3	-	-	74 636	74 636
	POCI assets	-	-	364	364
	Total	908 701	42 674	75 000	1 026 375
Loans to individuals	Stage 1	51	-	-	51
	Total	51	-	-	51
Total		908 752	42 674	75 000	1 026 426

At 31 December 2022, loans impairment was as follows:

		Standard	Under observati on	Impairm ented	Total
Loans to customers at amortized cost					
Loans to legal entities	Stage 1	846 628	-	-	846 628
	Stage 2	-	225 526	-	225 526
	Stage 3	-	-	60 728	60 728
	POCI assets	-	-	11 219	11 219
	Total	846 628	225 526	71 947	1 144 101
Loans to individuals	Stage 1	10 053	-	-	10 053
	Stage 3	-	-	108	108
	Total	10 053	-	108	10 161
Total		856 681	225 526	72 055	1 154 262

Collateral

The following table provides information on collateral as at 31 December, by type of collateral. The table shows the amounts of secured loans rather than the fair value of collateral.

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The collateral for loans to legal entities as of December 31 is as follows:

	2023	2022
Real estate	554 237	752 778
Motor vehicles	303 523	89 587
Equipment	78 775	149 906
State guarantee	57 721	31 139
Unsecured	18 985	11 705
Deposits	13 134	108 986
Total	1 026 375	1 144 101

The collateral for loans to individuals as of December 31 is as follows:

	2023	2021
Unsecured	51	208
Real estate	-	9 953
Total	51	10 161

The Bank lending activities are conducted in Ukraine. The ability of the borrowers to repay their debt is dependent on a number of factors including the overall financial health of the individual borrowers and the continued development of the Ukrainian economy.

Although collateral can be an important mitigation of credit risk, it is the Bank's policy to lend on the basis of the customer's capacity to repay, rather than rely primarily on the value of collateral offered. Depending on the customer's standing and the type of product, loans may be provided without collateral.

Quality of loans

At 31 December 2023, loans impairment was as follows:

	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans and advances to customers - corporate				
Not past due	950 713	8 513	942 200	(0.90%)
Past due	75 662	867	74 795	(1.15%)
Total loans and advances to customers - corporate	1 026 375	9 380	1 016 995	(0.91%)
Loans and advances to customers - individuals				
Not past due	51	1	50	(1.96%)
Past due	-	-	-	-
Total loans and advances to customers - individuals	51	1	50	(1.96%)

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Quality of loans and advances to customers as at 31 December 2022 is presented as follows:

	<u>Gross loans</u>	<u>Impairment</u>	<u>Net loans</u>	<u>Impairment to gross loans</u>
Loans and advances to customers - corporate				
Not past due	1 094 723	3 693	1 091 030	(0.34%)
Past due	49 378	41 561	7 817	(84.17%)
Total loans and advances to customers - corporate	1 144 101	45 254	1 098 847	(3.96%)
Loans and advances to customers - individuals				
Not past due	10 053	100	9 953	(0.99%)
Past due	108	108	-	(100.00%)
Total loans and advances to customers - individuals	10 161	208	9 953	(2.05%)

Corporate loans by industry

Corporate loans by industry as at 31 December are as follows:

	<u>2023</u>	<u>2022</u>
Trade	252 316	256 503
Manufacturing	198 266	393 413
Other	181 145	151 710
Financial intermediaries	139 283	3 033
Construction	105 426	130 744
Agriculture	73 788	70 815
Electricity generation	48 021	103 295
Leasing	28 130	35 063
Total	1 026 375	1 144 101

10. Investment property

Movement in investment property during the year ended 31 December is as follows:

	<u>2023</u>	<u>2022</u>
Fair value at 1 January	95 239	1 727
Transfer from real estate that became the property of the Bank as a mortgagee	-	84 500
Acquisition	2 517	-
Sales	(12 268)	-
The effect of revaluation	(11 285)	9 012
Fair value at 31 December	74 203	95 239

The inputs that were used in determining the fair value of investment real estate refer to the third level of the fair value hierarchy as of 31.12.2023 and as of 31.12.2022 due to significant uncertainty associated with low activity and liquidity of property markets in Ukraine.

During 2023, the Bank held a number of properties in the investment property category to receive rental payments or for capital appreciation.

During 2022, the Bank reclassified a number of properties held for the purpose of receiving rental payments or capital appreciation from the category of real estate that became the property of the Bank as a mortgagee to the category of investment real estate.

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11. Property, equipment and intangible assets

Movement of property, equipment and intangible assets for the year ended 31 December 2023 is as follows:

	Assets with the right of use	Motor vehicles	Office equipment	Computers	Other fixed assets	Total	Intangible assets
Cost							
1 January 2022	40 278	3 402	3 783	10 911	7 378	65 752	9 515
Additions	-	17	49	716	180	962	140
Disposals	(1 307)	-	(222)	(189)	(6)	(1 724)	-
31 December 2022	38 971	3 419	3 610	11 438	7 552	64 990	9 655
Accumulated depreciation and amortization							
1 January 2022	(18 325)	(1 947)	(3 422)	(8 316)	(5 825)	(37 835)	(5 019)
Depreciation and amortization	(4 881)	(691)	(119)	(848)	(376)	(6 915)	(447)
Disposals	-	-	222	189	6	417	-
31 December 2022	(23 206)	(2 638)	(3 319)	(8 975)	(6 195)	(44 333)	(5 466)
Net book value as at 31 December 2022	15 765	781	291	2 463	1 357	20 657	4 189
Cost							
1 January 2023	38 971	3 419	3 610	11 438	7 552	64 990	9 655
Additions	-	-	-	219	711	930	374
Disposals	-	-	-	(64)	(33)	(97)	-
31 December 2023	38 971	3 419	3 610	11 593	8 230	65 823	10 029
Accumulated depreciation and amortization							
1 January 2023	(23 206)	(2 638)	(3 319)	(8 975)	(6 195)	(44 333)	(5 466)
Depreciation and amortization	(4 880)	(455)	(115)	(941)	(744)	(7 135)	(508)
Disposals	-	-	-	64	33	97	-
31 December 2023	(28 086)	(3 093)	(3 434)	(9 852)	(6 906)	(51 371)	(5 974)
Net book value as at 31 December 2023	10 885	326	176	1 741	1 324	14 452	4 055

As at 31 December 2023 and 2022, the Bank had no indicators of impairment of property, plant and equipment and intangible assets and recognized no impairment losses.

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12. Other assets

Other assets as at 31 December are as follows:

	2023	2022
Real estate foreclosed by the Bank	6 781	14 743
Prepayments	3 753	2 272
Supplies and consumables	66	78
Other	7 573	6 242
Provision for impairment losses (Note 21)	(51)	(256)
Total	18 122	23 079

The Bank engages independent appraisers to determine the fair value of real estate repossessed by the Bank as a collateral holder. To determine the fair value, the appraiser used income approach and comparative approach. The fair value measurement of an asset is categorized in its entirety within Level 3 of the fair value hierarchy.

The item "Other" includes cash coverage for forex transactions with BCP (Switzerland), placed in BCP (Switzerland) in the amount of 100 thousand US dollars, which is equivalent to 3,798 thousand hryvnias as of 31.12.2023 and is restricted cash by nature (100 thousand US dollars, which is equivalent to 3,657 thousand hryvnias as of 31.12.2022).

13. Lease

The Bank reflects in the accounting and submit financial reporting of lease transactions according to IFRS 16 and recognizes the assets and liabilities for each rental agreement that meets the definition of lease.

Under IFRS 16, the Bank will use the modified retrospective approach for leases to calculate the cost at the date of initial application of IFRS 16.

In accordance with IFRS 16, a new asset category "asset for use" (Note 11) is emerging in the bank - an asset that represents the lessee's right to use the underlying asset for the lease term, for which a separate account is included as a non-current asset to account for the underlying leased asset, and also to account for the depreciation of these assets.

The right to use assets from the date the Bank assesses recognition at cost. It consists of the following elements:

- Initial assessment of lease obligations (+)
- Lease payments paid at the beginning of the lease term (they are not discountable, unlike their liabilities) (+)
- Incentive payments on the lease which have been received (the original valuation of the lease payments deducts the payments received from the lessor in connection with the acquisition of the lease by the Bank) (-)
- Any initial direct costs incurred by the bank in connection with the acquisition of the lease (+)
- Estimated future expenses of the bank (during the dismantling and moving of the underlying asset; restoration of the site on which it is located; recovery of the underlying asset to a condition required by the lease terms) (+)

The valuation of an asset at the date of the financial statements is carried at cost less accumulated depreciation. The valuation of an asset at cost should be adjusted by the bank for the revaluation of the lease obligation related to the modification of the lease agreement or to reflect substantially fixed lease payments.

The Bank uses the cost model to measure right-of-use assets.

The initial assessment of lease obligations consists of the following elements:

- Fixed lease payments (+)

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- incentive rental payments that have been paid (from the original estimate of the lease liability, deduct payments paid to the lessor in connection with the acquisition of the lease right)(-)
- Variable rental payments that depend on the index or rate (+)
- The amounts to be paid by the bank the suspicion residual value guarantees (+)
- Payment of fines for termination of lease if its term is a potential exercise by the bank of an option to terminate the lease (+)
- The exercise price of the purchase option if there is reasonable assurance that the bank will exercise this option (+).

	<u>2023</u>	<u>2022</u>
Submitting a lease for a tenant		
Right-of-use assets that do not meet the definition of investment property at the beginning of the period	15 765	21 952
Right-of-use assets that do not meet the definition of investment property at the end of the period	10 885	15 765
Lease liabilities		
Lease obligations at the beginning of the period	21 310	19 598
Lease obligations at the end of the period	17 409	21 310
	<u>2023</u>	<u>2022</u>
Interest expenses on lease obligations	1 013	1 073

14. Due to banks

Balances due to banks as at 31 December are as follows:

	<u>2023</u>	<u>2022</u>
Deposits and balances due to banks:		
Banks of OECD member countries	31	-
Domestic	40 046	-
Total	<u><u>40 077</u></u>	<u><u>-</u></u>

As of December 31, 2023, the balance of funds placed by one domestic bank is UAH 40 046 thousand and the Bank also has a balance on a LORO type account opened for the Austrian Bank.

As of December 31, 2023 The bank complied with all terms of credit agreements.

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15. Due to customers

Due to customers as at 31 December 2023 are as follows:

	2023	2022
Current accounts:		
Corporate customers	929 590	470 292
Individuals	37 961	40 015
Total current accounts	967 551	510 307
Deposits:		
Corporate customers	391 292	479 157
Individuals	297 863	192 106
Total deposits	689 155	671 263
Other:		
Corporate customers	10 925	27
Individuals	390	622
Total deposits	11 315	649
Total	1 668 021	1 182 219

As at 31 December 2023, balances on current accounts of the five largest customers total UAH 566 916 thousand or 59% of total balances on current accounts (31 December 2022: UAH 171 918 thousand or 34%).

As at 31 December 2023, deposits from the five largest customers total UAH 233 071 thousand or 34% of total deposits (31 December 2022: UAH 305 534 thousand or 46%).

16. Other liabilities

Other liabilities as at 31 December are as follows:

	2023	2022
Provision for unused vacations	5 697	4 720
Taxes payable, other than income tax	911	612
Accounts payable	360	381
Expenses accrued	137	23
Other	232	4
Total	7 337	5 740

17. Other borrowings

As at 31 December 2023, other borrowings are represented by loans denominated:

	Amount	Interest rate type	Maturity
Black Sea Trade and Development Bank	38 472	Floating rate	25.10.2024
Black Sea Trade and Development Bank	59 166	Fixed rate	20.06.2024
Entrepreneurship Development Fund	20 044	Floating rate	17.12.2025
Entrepreneurship Development Fund	127 306	Fixed rate	31.12.2024
Ministry of Finance of Ukraine	32 048	Fixed rate	31.12.2024
Ministry of Finance of Ukraine	114 763	Fixed rate	31.12.2031
Total	391 799		

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As at 31 December 2022, other attracted funds are represented by loans denominated:

	Amount	Interest rate type	Maturity
Black Sea Trade and Development Bank	73 692	Floating rate	25.10.2024
Black Sea Trade and Development Bank	154 629	Floating rate	28.04.2023
Entrepreneurship Development Fund	20 354	Floating rate	12.12.2023
Entrepreneurship Development Fund	118 064	Fixed rate	20.04.2023
Ministry of Finance of Ukraine	94 607	Fixed rate	31.12.2024
Ministry of Finance of Ukraine	105 794	Fixed rate	31.12.2031
Total	567 140		

As of December 31, 2023 and 2022, the Bank complied with all terms of credit agreements.

18. Share capital

As at 31 December 2023, the share capital of the Bank includes 149,962,764 ordinary registered shares with a nominal value of UAH 2.43 per share (31 December 2022: 149,962,764 ordinary shares with a nominal value of UAH 2.43 per share). All shares have equal voting rights. As at 31 December 2023, all shares were fully paid and registered.

No dividends were declared and paid in 2023 and 2022.

In accordance with Ukrainian legislation, the allocation of the reserves is limited to the balance of retained earnings determined in accordance with legislative and regulatory requirements.

Net income per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of shares outstanding. The Bank does not have convertible preference shares, so diluted earnings per share are equal to net earnings per share.

	2023	2022
Profit for the period owned by the owners ordinary shares of the Bank	10 612	(7 760)
Average number of shares outstanding during the period	149 962 764	149 962 764
Net profit/(loss) per share	0.00007	(0.000052)

19. Commitments and contingencies

(a) Operating lease commitments

The Bank leases operating premises in the normal course of business. The remaining non-cancelable lease payment periods as at 31 December are as follows:

As of December 31, 2023:

	Within one month	From three months to one year	1-5 years	Total
Lease obligations	1 501	4 077	11 831	17 409

As of December 31, 2022:

	Within one month	From three months to one year	1-5 years	Total
Lease obligations	1 402	3 561	16 346	21 310

The maturity analysis of the Bank's undiscounted financial liabilities (including interest payments to be accrued in the future) as at 31 December is presented in the table below:

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As of December 31, 2023:

	Within one month	From three months to one year	1-5 years	Total
Lease obligations	1 751	5 276	13 240	20 267

As of December 31, 2022:

	Within one month	From three months to one year	1-5 years	Total
Lease obligations	1 717	5 173	20 267	27 157

(b) Guarantees and other loan commitments

The Bank has outstanding commitments to extend credit. Those commitments are the approved loans and loan facilities. The total outstanding loan commitments do not necessarily represent future needs in cash, as those commitments may expire or be terminated without being funded. As at 31 December 2023, the irrevocable loan commitments amount to UAH 5 287 thousand (2022: UAH 50 thousand).

Loan commitments were as follows:

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
<i>Irrevocable credit lines</i>	5 287	-	-	5 287
Provision for expected credit losses (Note 21)	(74)	-	-	(74)
<i>Financial guarantees</i>	9 306	-	-	9 306
Provision for expected credit losses (Note 21)	(44)	-	-	(44)

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
<i>Irrevocable credit lines</i>	50	-	-	50
Provision for expected credit losses	(1)	-	-	(1)

(c) Insurance

The insurance industry in Ukraine is in a developing stage and many forms of insurance protection common in other countries are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of damage arising from accidents on Bank property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the operations and financial position.

(d) Taxation contingencies

The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation. Tax regulations are often unclear, open to wide interpretation, and in some instances are conflicting. Instances of inconsistent opinions between local, regional and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are

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enabled by law to impose significant penalties and interest charges. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

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

(e) Litigations

The Bank is involved in various legal proceedings in the ordinary course of business. According to the management, the result of the litigations will not have a significant impact on the financial position of the Bank.

20. Incomes and expenses analysis

Interest income and expense for the year are as follows:

	2023	2022
Loans and advances to customers	127 890	141 129
Deposit certificates of the National Bank of Ukraine	97 291	19 551
T-bills	13 117	15 674
Due from banks	5 612	1 235
Total interest income	243 910	177 589
Due to the National bank of Ukraine	-	(15 409)
Deposits	(72 153)	(31 523)
Other attracted funds	(20 835)	(24 129)
Current accounts	(40 812)	(27 909)
Due to banks	(334)	(1 015)
Lease liability	(1 013)	(1 073)
Total interest expense	(135 147)	(101 058)
Net interest income	108 763	76 531

Commission income and expenses for the year ended 31 December is as follows:

	2023	2022
Commission income:		
Currency exchange	5 021	4 641
Cash payments and withdrawals	31 420	18 528
Credit service	9 648	8 809
Other	1 425	830
Total fee and commission income	47 514	32 808
Commission expense:		
Cash payments and withdrawals	(4 486)	(3 594)
Credit service	(3 796)	(4 526)
Other	(950)	(1 162)
Total fee and commission expense	(9 232)	(9 282)
Net commission income	38 282	23 526

Included in "Other gains (losses)" are expenses from impairment of property transferred to the Bank as a pledgee in the amount of UAH 3,779 thousand (2022: UAH 0 thousand) as a result of revaluation performed by an independent appraiser. The Bank performs revaluations of property

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taken over by the Bank as a collateral holder with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Amortization and depreciation

	2023	2022
Amortization expense	2 763	2 483
Depreciation expense	4 880	4 879
Total depreciation and amortization	7 643	7 362

Administrative and other operating expenses for the year ended 31 December are as follows:

	2023	2022
Repairs and maintenance of property and equipment	7 589	5 352
Rent and maintenance of premises	5 515	5 169
Communication and information	4 029	2 652
Security	3 179	3 093
Taxes other than on income and other charges	3 118	2 222
Stationary and office consumables	1 831	1 209
Legal and consulting services	1 527	1 942
Audit	950	380
Travel expenses	795	650
Advertising and marketing	580	200
Losses from other property revaluation	377	268
Transportation costs	29	5
Other operating expenses	3 627	2 412
Total	33 146	25 554

21. Provision for impairment losses

The following is a schedule of movements in provision for impairment for the year ended 31 December:

Balance as of January 1, 2022	(28 412)
Used	7 491
Charged	(27 058)
Balance as of December 31, 2022	(47 979)
Used	40 610
Charged	(14 930)
Effect of exchange rate differences	(303)
Balance as of December 31, 2023	(22 602)

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22. Income tax expense

Income tax expense includes the following components:

	2023	2022
Current tax expense	9 966	-
Deferred tax benefit	(856)	(1 704)
Total income tax expense/(credit)	9 110	(1 704)

The statutory income tax rate in 2023 was 50% (2022: 18%).

The difference between the total expected income tax expense calculated by applying the applicable income tax rate to profit before income taxes and the actual income tax expense for the years ended 31 December is as follows:

	2023	%	2022	%
Profit before income tax	19 932	100%	(9 464)	100%
Expected income tax (income) / expense is calculated at the enacted rate (2023: 50%; 2022: 18%)	9 966	50%	(1 704)	18%
Effect of changes in the interest rate (DTA*)	(853)	(4.3%)	-	-
Effect of differences that (increase) or decrease the taxable item	(3)	(0.02%)	-	-
Actual income tax (income) / expense	9 110	45.7%	(1 704)	18%

* As at 31 December 2023, the deferred income tax rate expected to be applied to the temporary differences when they reverse under Ukrainian legislation enacted or substantively enacted at the reporting date is 25% (31 December 2022: 18%).

(a) Movements in recognized temporary differences during the year

Deferred tax assets and liabilities as at 31 December 2023 are attributable to the items detailed as follows:

	1 January 2023	Recognized through profit or loss	31 December 2023
	Asset (liability)	Benefit (charge)	Asset (liability)
Property and equipment	517	204	721
Accumulated tax losses	1 713	652	2 365
Total	2 230	856	3 086

Deferred tax assets and liabilities as at 31 December 2022 are attributable to the items detailed as follows:

	1 January 2022	Recognized through profit or loss	31 December 2022
	Asset (liability)	Benefit (charge)	Asset (liability)
Property and equipment	526	(9)	517
Accumulated tax losses	-	1 713	1 713
Total	526	1 704	2 230

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23. Derivatives at fair value through profit or loss

Derivative financial instruments are represented mainly by forward foreign exchange contracts and interbank swaps.

According to the management opinion such transactions are essentially currency swaps and reflects them in accordance with the Bank's accounting policies applicable to derivative financial instruments.

	2023	2022
	Forward currency contracts	Forward currency contracts
Assets at fair value through profit or loss	339	-
Liabilities at fair value through profit or loss	(2 159)	-

24. Financial risk management

Management of risk is fundamental to the business of banking and is an essential element of operations. The major risks faced by the Bank are those related to credit exposures, market risk (which includes risk of movements in foreign exchange rates and in interest rates) and liquidity risk.

(a) Risk management structure

The risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls and to continuously monitor risk levels and adherence to limits.

The risks are managed in an integrated manner and are evaluated in terms of the policy of the Bank, which is reviewed and approved by the Supervisory Board on an annual basis. Risk limits are established for credit, market and liquidity risks and the level of exposure is then maintained within these limits.

(b) Credit risk

Credit risk is the risk of a financial loss for the Bank if a customer or counterparty fails to meet its contractual obligations. Credit risk arises principally from loans and advances made and investment securities. The maximum credit risk exposure is generally net carrying amounts of instruments as at end of the reporting period.

Management monitors concentration of credit risk.

The Bank has to comply with varying NBU regulations that limit exposure to companies, groups of companies and related parties. To manage credit risk, the Bank deals with counterparties of good credit standing and when appropriate obtains collateral.

Corporate Lending

In making its lending decisions, the Bank evaluates potential borrowers on the basis of their financial condition as reflected in their financial statements, their credit history with the Bank and other financial institutions and the amount of risk involved in lending to a particular borrower, using a rating scale. A lack of credit history with the Bank or lack of credit history in general is not an absolute bar to granting a loan, provided the Bank receives sufficient information to assess the borrower's business and financial condition. However, when the Bank lends to a borrower with no credit history, it sets conditions such as a requirement to transfer a certain part of the customer's banking operations to the Bank for a certain period and charging a higher interest rate, or requiring additional collateral or guarantees from such borrower.

In evaluating the risks associated with a particular borrower, the Bank takes into account the borrower's business and factors such as the quality of its management, its main business

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activities, its geographic location, suppliers, customers, other indebtedness, financial stability, turnover, likely return on the loan, the liquidity of the proposed collateral and whether it is sufficient in view of the credit risk. The Bank also considers the weighted average credit risk associated with the industry in which the borrower operates.

Retail Lending

The Bank provides loans to individuals only in exceptional cases and focuses on the collection of existing loans issued to individuals.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on an analysis of the customer earnings overdue payments and other information obtained by the Bank. In light of this information the borrower's internal credit rating may be revised.

Expected credit losses (ECL)

The Bank calculates ECL based on several scenarios that include a weighted loan loss probability estimate for expected non-cash cash flows discounted at an approximate effective interest rate. Lack of cash is the difference between the cash flows owned by the entity in accordance with the contract and the cash flows that the entity expects to receive. Below is the mechanics of calculations ECL, the key elements of which are:

- Default probability (PD) The probability of default is the estimate of the probability of default on this time horizon.

A default event may occur only at a certain point during the analyzed period if, at that time, the Bank will not terminate recognition of the loan, and the loan will remain in the portfolio.

- Exposure at default (EAD) The Exposure at default is the estimate of the amount of the loan for the future default date, taking into account expected changes in the loan amount after the reporting date, including repayment of principal and interest, and the expected sample of borrowers under the loan obligation Amounts, as well as accrued interest on missed payments.

- Loss given default (LGD) The Loss given default is an estimate of the loss incurred in the event of a default at a specified time. It is calculated on the basis of the difference between the amount of payments to be received under the contract and the amount expected to be received by the creditor, including the funds from the sale of any collateral. Usually it is presented as a percentage of risk in default (EAD).

Provision for expected loan losses is calculated on the basis of credit losses that are projected to be incurred during the life of the asset (expected credit losses for the entire period of the instrument). The expected credit losses for the entire duration of the instrument are calculated either individually or for asset groups, depending on the characteristics of the relevant portfolio of financial instruments.

The Bank has adopted a policy that provides for an assessment at the end of each reporting period to identify possible significant increases in credit risk after initial recognition by analyzing the changes in the level of default risk occurring throughout the remaining period of the financial instrument. As a result of the process described above, the Bank divides its loans into risk groups ("stages"), referred to as "Stage 1", "Stage 2", "Stage 3" and "Purchased or Originated Credit Impaired Assets" (POCI Assets) :

Stage 1 At the moment of initial recognition of loans, the Bank recognizes a provision for losses on the basis of the amount of expected loan losses for 12 months. In addition, Phase 1 includes loans that are characterized by a reduction in credit risk, resulting in a corresponding loan being transferred to Stage 1 of Stage 2.

Stage 2 If the level of credit risk on a loan increases significantly after the loan agreement is signed, the Bank recognizes the provision for expected loan losses for the entire duration of the instrument. In addition, Stage 2 includes loans that are characterized by a reduction in credit risk, resulting in a corresponding loan being transferred to Stage 2 of Stage 3.

Stage 3 Loans are considered to be loan-denominated. The Bank recognizes the provision for expected loan losses for the entire duration of the instrument.

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Purchased or Originated Credit Impaired assets (POCI assets) are assets that are impaired at the date of initial recognition. POCI assets are initially recognized at fair value and interest income is subsequently recognized on the basis of an adjusted effective interest rate. Expected credit losses are recognized or reversed only in the event of a subsequent change in the amount of expected loan loss during the entire life of the instrument.

The main factors taken into account in the analysis of impairment of loans include the determination of whether overdue principal or interest payments on the loan are more than 90 days, or if there are any difficulties in view of the counterparty's cash flows, the decrease credit rating or breach of the original terms of the relevant agreement. The Bank analyzes impairment by provisioning for impairment losses on individually assessed loans.

The Table below shows the value of financial assets by classes of quality as at 31 December 2023 and 31 December 2022.

31 December 2023

		Standard	Watch	Impaired	Total
Cash and cash equivalents, except for cash on hand	Stage 1	236 696	-	-	236 696
	Total	236 696	-	-	236 696
Loans to customers at amortized cost					
Loans to corporate customers	Stage 1	908 701	-	-	908 701
	Stage 2	-	42 674	-	42 674
	Stage 3	-	-	74 636	74 636
	POCI assets	-	-	364	364
	Total	908 701	42 674	75 000	1 026 375
Loans to retail customers	Stage 1	51	-	-	51
	Total	51	-	-	51
Irrevocable credit lines	Stage 1	5 287	-	-	5 287
	Total	5 287	-	-	5 287
Financial guarantees	Stage 1	9 306	-	-	9 306
	Total	9 306	-	-	9 306
Total		1 160 041	42 674	75 000	1 277 715

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31 December 2022

		Standard	Watch	Impaired	Total
Cash and cash equivalents, except for cash on hand	Stage 1	314 388	-	-	314 388
	Total	314 388	-	-	314 388
Loans to customers at amortized cost					
Loans to corporate customers	Stage 1	846 628	-	-	846 628
	Stage 2	-	225 526	-	225 526
	Stage 3	-	-	60 728	60 728
	POCI assets	-	-	11 219	11 219
	Total	846 628	225 526	74 947	1 144 101
Loans to retail customers	Stage 1	10 053	-	-	10 053
	Stage 3	-	-	108	108
	Total	10 053	-	108	10 161
Irrevocable credit lines	Stage 1	50	-	-	50
	Total	50	-	-	50
Total		1 171 119	225 526	72 055	1 468 700

The credit quality of financial assets is managed by the Bank internal credit ratings. The tables above show the credit quality by the asset class for the credit lines in the statement of financial position based on the Bank credit rating system.

Off-balance sheet exposure

The maximum exposure to off-balance sheet credit risk at 31 December is as follows:

	2023	2022
Irrevocable credit lines	5 287	50
Guarantees	9 306	-
Total off-balance sheet exposure	14 593	50

(c) Market risk

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Currency risk

Currency risk is the risk that movements in foreign exchange rates will affect income or the value of its portfolios of financial instruments.

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology. The policy with regard to open foreign currency position is restricted to certain thresholds under regulatory provisions of the NBU, however, the calculation of open currency position under regulatory provisions may differ from the below table.

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Currency positions as at 31 December 2023 are as follows:

	<u>USD</u>	<u>EUR</u>	<u>Other currencies</u>
Assets			
Cash and cash equivalents	61 780	70 340	2 033
Due from banks	20 213	67 552	-
Loans and advances to customers	435 755	135 900	-
Investments in securities	-	63 094	-
Other assets	3 893	-	-
	<u>521 641</u>	<u>336 886</u>	<u>2 033</u>
Liabilities			
Due to banks	-	-	-
Other attracted funds	97 639	274 117	-
Due to customers	359 438	66 725	385
Other liabilities	-	49	-
	<u>457 077</u>	<u>340 891</u>	<u>385</u>
Net balance sheet position	<u>64 564</u>	<u>(4 005)</u>	<u>1 648</u>
Net (short) long position	<u>64 564</u>	<u>(4 005)</u>	<u>1 648</u>

Currency positions as at 31 December 2022 are as follows:

	<u>USD</u>	<u>EUR</u>	<u>Other currencies</u>
Assets			
Cash and cash equivalents	111 843	172 310	2 008
Due from banks	77 871	-	-
Loans and advances to customers	379 002	215 794	-
Investments in securities	-	-	-
Other assets	4 130	-	-
	<u>572 846</u>	<u>388 104</u>	<u>2 008</u>
Liabilities			
Due to banks	-	-	-
Other attracted funds	228 321	318 465	-
Due to customers	344 162	70 005	823
Other liabilities	-	5	-
	<u>572 483</u>	<u>388 475</u>	<u>823</u>
Net balance sheet position	<u>363</u>	<u>(371)</u>	<u>1 185</u>
Net (short) long position	<u>363</u>	<u>(371)</u>	<u>1 185</u>

The table shows currencies in which the Bank has significant positions as at December 31. The analysis is to measure the effect of possible changes in the exchange rates of foreign currencies against hryvnia, with the unchangeable value of all other variables, on the profit and loss statement of the Bank. The effect on the capital is not different from the effect on the profit and loss statement. The negative value in the table reflects a potential net decrease in the profit and loss statement or equity, and the positive values reflect the potential net increase.

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<i>Currency</i>	<i>Strengthening of exchange rate against Ukrainian hryvnia, % 2023</i>	<i>Effect on profit before tax 2023</i>	<i>Weakening of exchange rate against Ukrainian hryvnia, % 2023</i>	<i>Effect on profit before tax 2023</i>
USD	+20,00	12 913	-20,00	(12 913)
EUR	+20,00	(801)	-20,00	801

<i>Currency</i>	<i>Strengthening of exchange rate against Ukrainian hryvnia, % 2022</i>	<i>Effect on profit before tax 2022</i>	<i>Weakening of exchange rate against Ukrainian hryvnia, % 2022</i>	<i>Effect on profit before tax 2022</i>
USD	+20,00	73	-20,00	(73)
EUR	+20,00	(74)	-20,00	74

The currency risks specified in IFRS 7 arise from the financial instruments denominated in a currency that is not the functional currency and has a monetary nature; the risks associated with the translation are not taken into account.

(ii) *Interest rate risk*

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. To manage interest rate risk, management continually assesses market interest rates for different types of interest bearing assets and liabilities.

Interest margins on assets and liabilities having different maturities may increase as a result of changes in market interest rates. In practice, management resets interest rates on both assets and liabilities based on current market conditions and mutual agreement, which is documented in an addendum to the original agreement, which sets forth the new interest rate.

The average effective interest rates of major interest bearing assets and liabilities as at 31 December 2023 are as follows:

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	USD	EUR	Ukrainian hryvnia, %
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	15,90%
Due from banks	4,10%	3,80%	-
Loans and advances to customers	7,70%	8,50%	24,40%
Liabilities			
Due to banks	-	-	14,00%
Other attracted funds	9,60%	2,10%	14,10%
Due to customers	2,40%	1,70%	15,40%

The average effective interest rates of major interest bearing assets and liabilities as at 31 December 2022 are as follows:

	USD	EUR	Ukrainian hryvnia, %
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	23,00%
Due from banks	4,71%	-	-
Loans and advances to customers	6,14%	6,99%	16,46%
Liabilities			
Other attracted funds	8,54%	2,58%	9,86%
Due to customers	2,30%	1,22%	15,83%

Below is an analysis of the impact on pre-tax income of possible changes in interest rates with financial instruments that are raised at floating interest rates:

	Increase in basis points	Impact on profit before taxation	Decrease in basis points	Impact on profit before taxation
2023	+100	2 988	(100)	(2 988)
2022	+100	2 487	(100)	(2 487)

(d) Liquidity risk

Liquidity risk arises in the general funding of activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

To maintain its short-term liquidity, the Bank takes short-term deposits, enters into repurchase transactions and buys and sells foreign currency, securities and precious metals. To maintain its

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long-term liquidity, the Bank takes medium and long-term deposits, sells assets such as securities, regulates its interest rate policy and strives to reduce expenses.

The financial assets and financial liabilities maturity periods under the contracts as at 31 December 2023 are as follows:

	Within one month	From one to three months	From three months to one year	1-5 years	More than five years	Total
Assets						
Cash and cash equivalents	235 095	-	-	-	-	235 095
Investments in securities	909 823	101 484	43 915	84 183	-	1 139 405
Due from banks	82 753	-	-	5 024	-	87 777
Loans and advances to customers	133 520	264 872	454 090	164 563	-	1 017 045
	1 361 191	366 356	498 005	253 770	-	2 479 322
Liabilities						
Due to banks	40 077	-	-	-	-	40 077
Due to other attracted funds	7 045	17 621	106 173	218 333	42 627	391 799
Due to customers	1 095 940	223 034	326 511	12 536	10 000	1 668 021
Other financial liabilities	3 022	-	4 077	11 832	-	18 931
	1 146 084	240 655	436 761	242 701	52 627	2 118 828
Liquidity (gap) surplus for the period	215 107	125 701	61 244	11 069	(52 627)	360 494
Cumulative liquidity (gap) surplus	215 107	340 808	402 052	413 121	360 494	

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The financial assets and financial liabilities maturity periods under the contracts as at 31 December 2022 are as follows:

	Within one month	From one to three months	From three months to one year	1-5 years	More than five years	Total
Assets						
Cash and cash equivalents	334 560	-	-	-	-	334 560
Investments in securities	558 703	-	-	-	-	558 703
Due from banks	73 157	-	4 734	-	-	77 891
Loans and advances to customers	268 740	343 041	304 943	192 076	-	1 108 800
	1 235 160	343 041	309 677	192 076	-	2 079 954
Liabilities						
Due to other attracted funds	15 775	25 442	354 514	115 514	55 895	567 140
Due to customers	723 345	237 107	187 259	34 508	-	1 182 219
Other financial liabilities	2 419	-	3 563	16 346	-	22 328
	741 539	262 549	545 336	166 368	55 895	1 771 687
Liquidity (gap) surplus for the period	493 621	80 492	(235 659)	25 708	(55 895)	308 267
Cumulative liquidity (gap) surplus	493 621	574 113	338 454	364 162	308 267	

The item "Due to customers" include term deposits of individuals providing for the early withdrawal thereof. The Bank management believes that most individuals deposits will not be withdrawn before the maturity thereof, so the customers funds are reported by their contractual maturities.

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Analysis of maturities of the undiscounted financial liabilities (including interest payments that will be accrued in the future) of the Bank as at 31 December 2023 is presented in the table below:

	Within one month	From one to three months	From three months to one year	1-5 years	More than five years	Total
Due to banks	40 093	-	-	-	-	40 093
Due to customers	1 100 463	229 448	340 145	12 703	10 000	1 692 759
Other attracted funds	8 560	20 471	114 643	235 940	43 174	422 788
Other financial liabilities	3 270	-	5 276	13 240	-	21 786
Total	1 152 386	249 919	460 064	261 883	53 174	2 177 426

Analysis of maturities of the undiscounted financial liabilities (including interest payments that will be accrued in the future) of the Bank as at 31 December 2022 is presented in the table below:

	Within one month	From one to three months	From three months to one year	1-5 years	More than five years	Total
Due to customers	726 750	239 636	190 090	34 876	-	1 191 352
Other attracted funds	18 262	29 996	362 558	121 509	56 927	589 252
Other financial liabilities	2 911	-	5 175	20 267	-	28 353
Total	747 923	269 632	557 823	176 652	56 927	1 808 957

25. Capital management

(i) Regulatory capital

Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (regulatory capital adequacy ratio) above the prescribed minimum level. If the Bank does not maintain or sufficiently increase its capital base in line with the increase in its risk weighted assets, it may be non-compliant with the NBU capital adequacy regulations, which could lead to the imposition of sanctions by the NBU. This could have a material adverse effect on results of operations and financial condition. As at 31 December 2023, the minimum level set by the NBU is 10.0% (31 December 2023: 10.0%).

The Bank complied with the requirements of the National Bank of Ukraine regarding the value of the regulatory capital adequacy ratio 29.58% as at 31 December 2023 and 28.96% 2022. The Bank complied with the requirements of the National Bank of Ukraine regarding the value of the regulatory capital adequacy standard as of December 31, 2023 and 2022.

The table below shows the structure of regulatory capital calculated in accordance with the requirements of the National Bank of Ukraine (Instruction on the Procedure for Regulation of Banks in Ukraine approved by the Resolution of the National Bank of Ukraine dated 28.08.2001 No. 368 and Methodology for Calculating Economic Standards for Regulation of Banks in Ukraine approved by the Decision of the Board of the National Bank of Ukraine dated 15.12.2017 No. 803-pw) as at 31 December:

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	2023	2022
Fixed capital	355 774	361 156
Actually paid registered share capital	364 410	364 410
Contributions to unregistered authorized capital	4 086	4 086
Transactions with shareholders (financial assistance from shareholders for which the NBU has obtained permission to include in equity)	-	-
Emission differences	2 902	2 902
General reserves and reserve funds created in accordance with the laws of Ukraine	46 103	46 103
Reduction of fixed capital, incl:		
Intangible assets less amortization	4 055	4 189
losses of previous years	16 180	17 810
estimated loss of the current year	-	4 651
capital investments in intangible assets	-	-
carrying amount of assets that are not used by the bank in the course of carrying out the activities specified by the Law "On Banks and Banking Activities"	41 492	29 695
Additional capital	13 028	4 680
Total regulatory capital	368 802	365 836

26. Balances with related parties

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the party when making financial and operational decisions. Terms of transactions with related parties are established at the time of the transaction. Related parties comprise entities which are under common control with the Bank, members of the Supervisory Board, key management personnel and their close family members, companies that are controlled or significantly influenced by shareholders, by key management personnel or by their close family members.

As at 31 December 2023 and as at 31 December 2022, the ultimate controlling parties of the Bank are JSC "ALTINBAŞ HOLDING ANONİM ŞİRKETİ" and JSC "CREDITWEST FACTORING ANONİM ŞİRKETİ", which is ultimately controlled by members of Altinbaş family.

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The Bank balances and transactions with its related parties as at 31 December 2023 and 2022 are presented in the table below.

	<u>2023</u>	<u>2022</u>
Balances and transactions with the key management personnel		
Statement of financial position (as at 31 December):		
Loans and advances to customers	-	-
Due to customers	3 780	2 277
Statement of comprehensive income:		
Interest income	-	-
Interest expense	2	1
Salary and salary related charges payable	21 077	16 342
Balances with related parties		
Statement of financial position (as at 31 December):		
Due to customers	98	92

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2023 are as follows:

	<u>UAH</u>	<u>Interest rate</u>	<u>USD</u>	<u>Interest rate</u>	<u>EUR</u>	<u>Interest rate</u>
Balances with key management personnel						
Credits	-	-	-	-	-	-
Deposits from customers	-	-	812	2,00%	-	-
Current accounts	2 214	0,00%	613	0,00%	138	0,00%
Balances with related parties						
Current accounts	10	0,00%	87	0,00%	1	0,00%

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2022 are as follows:

	<u>UAH</u>	<u>Interest rate</u>	<u>USD</u>	<u>Interest rate</u>	<u>EUR</u>	<u>Interest rate</u>
Balances with key management personnel						
Credits	-	-	-	-	-	-
Deposits from customers	-	-	310	1,50%	-	-
Current accounts	1 395	0,00%	530	0,00%	41	0,00%
Balances with related parties						
Current accounts	9	0,00%	82	0,00%	1	0,00%

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly, and also includes members of the Board of Management.

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27. Fair value measurement

(a) Fair value of financial assets and financial liabilities that are not measured at fair value

The table below presents the carrying amounts and fair values of financial assets and financial liabilities at amortized cost. The fair value of the non-financial assets and non-financial liabilities is not presented in the table.

	2023		2022	
	Total carrying amount	Fair value	Total carrying amount	Fair value
Cash and cash equivalents	235 095	235 095	334 560	334 560
Investments in securities	1 076 311	1 076 311	558 703	558 703
Due from banks	87 777	87 777	77 891	77 891
Loans and advances to customers	1 017 045	1 017 045	1 108 800	1 108 800
Total	2 416 228	2 416 228	2 079 954	2 079 954
Due to banks	40 077	40 077	-	-
Customer accounts	1 668 021	1 668 021	1 182 219	1 182 219
Other attracted funds	391 799	391 799	567 140	567 140
Total	2 099 897	2 099 897	1 749 359	1 749 359

The methods and assumptions used to define fair value of the financial instruments not reported at fair value in the financial statements are described below.

Assets which fair value is approximately equal to their carrying amount

For the financial assets and financial liabilities being liquid or short-term (less than three months), it is assumed that their carrying amount is approximately equal to their fair value. The said assumption also applies to the deposits on demand, savings accounts with no fixed maturity, and floating rate financial instruments.

Financial assets and financial liabilities at amortized cost

For the instruments carried at amortized cost, the discounting model of cash flows using current market rates for similar financial instruments with a similar status, similar to credit risk and maturity is applied.

(b) Financial assets at fair value

All assets and liabilities which fair value is measured or disclosed in the financial statements are classified by the level of the fair value measurement hierarchy presented below at the lowest level that is material for the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation methods for which all the inputs with a significant effect on fair value are at the lowest level of the hierarchy and can be obtained directly or indirectly from market sources; and
- Level 3: valuation methods for which all the inputs with a significant effect on fair value are at the lowest level of the hierarchy and cannot be obtained directly or indirectly from market sources.

For the assets and liabilities reported in the consolidated financial statements on an ongoing basis, at the end of each reporting period, the Bank analyzes whether there has been a transition between levels of the hierarchy by reassessing the distribution by categories (based on the lowest-level data, which is generally important for the fair value measurement).

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For disclosure purposes at fair value, the Bank determines the classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability, and the fair value hierarchy.

31 December 2023	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets reported at fair value				
Cash and cash equivalents	105 114	129 981	-	235 095
Securities investment	63 094	132 774	943 537	1 139 405
Due from banks	-	87 777	-	87 777
Loans and advances to customers	-	-	1 017 045	1 017 045
Financial liabilities reported at fair value				
Due to banks	-	40 077	-	40 077
Due to customers	-	967 551	700 470	1 668 021
Other attracted funds	-	-	391 799	391 799

31 December 2022	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets reported at fair value				
Cash and cash equivalents	55 008	279 552	-	334 560
Securities investment	-	-	558 703	558 703
Due from banks	-	77 891	-	77 891
Loans and advances to customers	-	-	1 108 800	1 108 800
Financial liabilities reported at fair value				
Due to banks	-	-	-	-
Due to customers	-	510 307	671 912	1 182 219
Other attracted funds	-	-	567 140	567 140

28. Subsequent events

During the period up to the date of approval of these financial statements, the following did not occur:

- business combination;
- termination or adoption of a decision to terminate activity;
- restructuring of the Bank;
- making court decisions in favor of the plaintiffs, which could cause the emergence of significant financial obligations of the Bank, which are not reflected in the Bank's financial statements.

Signed and authorised for release by and on behalf of the Management Board of the Bank:

I.Yu. Tykhonov

Chairman of the Board

I.M. Kuzmenko

Chief Accountant

05 April 2024