

FREE TRANSLATION FROM THE ORIGINAL IN UKRAINIAN

ANNUAL REPORT JSC «BANK AVANGARD» for 2024

including

**REPORT OF MANAGEMENT BODIES «MANAGEMENT
REPORT», which includes CORPORATE
MANAGEMENT REPORT**

ANNUAL FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

28 February 2025

Kyiv

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**REPORT OF MANAGEMENT BODIES
«MANAGEMENT REPORT»,
which includes
CORPORATE MANAGEMENT REPORT OF
JSC «BANK AVANGARD»
for 2024**

1. INTRODUCTION.

This report is drawn up according to the requirements of the current legislation of Ukraine, namely: requirements of the National Bank of Ukraine regarding the procedure for preparing and publishing the financial statements of the banks of Ukraine, the Laws of Ukraine "On Securities and Stock Market" and "On Financial Services and Financial companies" following the results of the activities of the JOINT-STOCK COMPANY "BANK AVANGARD" (hereinafter referred to as the "Bank"). The reporting year is 2024.

2. NATURE OF BUSINESS.

The National Bank of Ukraine registered the Bank on July 5, 2013. The Bank conducts banking operations in the money and foreign exchange markets in accordance with the banking license (The Bank was registered in the State Register of Banks on July 5, 2013 under No. 346, Extract from the State Register of Banks dated August 16, 2021 No. DRB-000069). The Bank offers its customers a wide range of banking services and products, but focuses its main activities on the currency, money and securities markets, conducting transactions both using its own funds and the funds of the customers.

2.1 Economic environment in which the Bank operates.

On February 24, 2022, a full-scale invasion of the territory of Ukraine by the troops of the Russian Federation began. In connection with the military aggression of the Russian Federation against Ukraine, based on the proposal of the National Security and Defence Council of Ukraine, the President of Ukraine in accordance with the Decree of the President of Ukraine of February 24, 2022 № 64/2022 imposed martial law in Ukraine for 30 days, the same day was approved by the Verkhovna Rada of Ukraine and continues to this day.

The National Bank promptly made decisions and imposed temporary restrictions on the operation of the foreign exchange market of Ukraine, fixing exchange rates, restrictions on cash withdrawals and a moratorium on cross-border payments, etc. in connection with the declaration of martial law throughout Ukraine. Appropriate actions are necessary to ensure the reliable and stable functioning of the country's financial system and maximize the activities of the Armed Forces of Ukraine, as well as the uninterrupted operation of critical infrastructure.

At its extraordinary meeting on February 24, 2022, the National Securities and Stock Market Commission (NSSMC) decided to temporarily suspend operations with all securities, as well as to conduct operations in the depository accounting system and clearing accounting systems, and to temporarily suspend operations with assets of UCITS and NPF. Some restrictions are being eased and new ones are being implemented.

According to the NBU experts, economic growth in Ukraine's main trading partner countries is unstable, and inflationary pressures remain elevated. Global prices for both energy and goods important to Ukrainian exports fluctuated within a relatively narrow range. The leading central banks ended the year with synchronised rate cuts, while the policies of the central banks of EM countries had certain peculiarities.

In recent months, consumer inflation has been accelerating, reaching 11.2% y-o-y in November, and underlying inflationary pressures have increased (to 9.3% y-o-y). These trends were driven by a decline in the supply of certain food products, further growth in production costs, and the effects of the exchange rate depreciation in previous periods. According to the NBU, the rapid price growth continued in December.

In December, business sentiment continued to deteriorate and economic activity slowed in a number of sectors amid a challenging energy and security situation, shortages of staff and agricultural raw materials. At the same time, domestic demand, both consumer and investment, remained resilient, supporting retail and industrial sectors.

In December, the shortage of staff remained significant, driving wages up further. At the same time, both demand and supply in the labour market weakened somewhat due to seasonal factors.

The state budget deficit both in December and for the whole year exceeded the figures for 2023, although the annual figure is slightly lower than planned. The budget needs were covered by international aid (which reached a record high in December) and internal borrowing.

The significant negative balance of trade in goods and the increased demand for cash foreign currency in the last months of the year generated a significant structural deficit of foreign currency. At the same time, foreign aid inflows increased significantly at the end of the year. As a result, reserves rose to USD 39.9 billion in November and continued to grow rapidly in December.

In December, demand for foreign currency increased significantly, mainly due to large budget expenditures. In response to this seasonal increase and to ensure a stable FX market, the NBU significantly increased its interventions to sell foreign currency. However, given the increase in net demand, the official hryvnia exchange rate depreciated moderately against the dollar. In December, the NBU raised its key policy rate to 13.5% to ensure the stability of the foreign exchange market and gradually slow inflation to the 5% target.

Detailed information on the external environment in which the Bank operates is provided in the Bank's Annual Financial Statements for 2024.

2.2. Business model, management objectives and strategies for achieving these objectives.

The Bank operates as a universal bank which activities are aimed at providing the customers with all-inclusive servicing and high-quality services by offering a wide range of banking services and products, focusing its main activities on the currency, money and securities markets, conducting transactions both using its own funds and funds of the customers. According to the results of the government bonds trading, the Bank is among the TOP-3 leaders in terms of the volume of contracts concluded in 2024 on the Perspektiva stock exchange.

The Bank has no branches and economically autonomous structural subdivisions. The customers are serviced at the Head Office at 3 Sholudenka Street in Kyiv.

As for the end of the reporting period, the Bank's customer base is formed by business entities (129 customers), non-banking financial institutions (37 customers), individual customers (427 customers) and individual entrepreneurs (7 customers). The Bank serves 1667 accounts and 600 customers in total.

The main aspects of the Bank's activities:

- Trade in securities (mainly in the domestic government loan bonds and corporate bonds of blue chips);
- REPO (repurchase agreement) transactions with the domestic government loan bonds;
- Active participation in the interbank credit market;
- Forex transactions (including currency forwards, SWAP operations);
- Derivatives transactions (interest rate swaps, futures).

The Bank's activities are based on the principles of reliability, transparency, balance of financial indicators, observance of regulations and best practices of banking activities in the following areas:

Treasury transactions: money market transactions, foreign exchange market transactions, securities transactions, relationships with professional financial market participants - banks, insurance companies, financial intermediaries of the capital markets. Transactions on attracting deposits from the Bank's customers are deemed to be the money market transactions, since they are the source of financing of the Bank's main activities. To ensure such financing, the Bank organized the customer service, document flow associated with all types of transactions and operations, processing of payment orders and notifications in the Customer-Bank System, opening and maintenance of current accounts of the customers and correspondent banks, including transfer of money funds by means of payment instruments and credit of funds to accounts: maintenance of accounts of customers (residents and non-residents) in foreign currency and non-resident customers in the currency of Ukraine; maintenance of correspondent accounts of the banks (residents) in foreign currency; opening of correspondent accounts with authorized banks of Ukraine in foreign currency and carrying out transactions thereon.

The Bank was established according to a special treasury bank concept focused on leveraging extensive expertise, in its field of activity with maximum operating efficiency by means of price-related competition and high-tech solutions. At this stage the main directions of the Bank's activities are securities trading, active participation in the interbank loans market, "Forex" market transactions.

The Bank's goal is to become a flawless settlement mechanism with a high speed of transaction processing. As a treasury bank with low administrative costs, the Bank is able to offer its customers attractive prices for its services. By minimising the length of the operational

cycle, the Bank maximises the number of transactions per day, the turnover of funds. Thus, the Bank is able to offer low rates, the best in the foreign exchange market, which in turn contributes to improved profitability of operation.

On 6 October 2023, the Bank's shareholder decided to increase the Bank's share capital at the expense of part of the retained earnings received from the Bank's operations for 2019-2022 by UAH 31.72 million by increasing the nominal value of shares from UAH 1,640 to UAH 1,900, which led to an increase in the share capital to UAH 231.8 million after registration of the relevant changes and resulted in an increase in the Bank's regulatory capital.

Taking into account the special concept and business model of the Bank as a treasury bank, in our opinion, the Bank does not need additional funding for its activities, its share capital is sufficient to comply with regulatory requirements for the period up to 2027.

In connection with the ongoing large-scale armed aggression of the Russian Federation against Ukraine, based on the proposal of the National Security and Defence Council of Ukraine, on 5 February 2025, the President of Ukraine signed laws extending the martial law and general mobilisation in Ukraine from 8 February 2025 for a period of 90 days (i.e. until 9 May 2025).

As it is not possible to estimate precisely what proportion of customers will be able to return to normal loan servicing and in what time horizon, and even in an optimistic scenario, the losses for banks could be significant.

In view of the current situation, the Bank's management conducts daily operational monitoring of its activities and ensures prompt response to current events and changes in the situation. In addition, assessing possible scenarios and based on the specifics of the assets, the Bank's management estimates possible losses as below the industry average and such that will not affect the Bank's ability to continue as a going concern. Also, the Bank's management does not expect a sharp deterioration in the economic situation.

All of the above circumstances require the Supervisory Board and the Management Board to take a conservative scenario as a base case. The Bank does not expect a rapid economic recovery next year for obvious reasons. At the same time, the Bank's management has every reason to expect a slowdown in inflation, a controlled situation in the foreign exchange market, and a reduction in the refinancing rate. Also, the corporate bond market is expected to gradually return to full functioning in the years following the end of the war.

The Bank plans to continue to comply with the requirements of the National Bank of Ukraine regarding prudential ratios, share capital and regulatory capital.

The Bank's strategy has not changed significantly since the start of its operations in 2013. Business plans and budgets are reviewed at least once a year to clarify the key financial market indicators that are a prerequisite for their preparation, and to make appropriate changes in case of introduction of new products.

Since 2024, the Bank has been operating under a temporary ban on the voting rights of the owners of substantial interests and the shareholder, litigation with the regulator in this regard and is a defendant in the CMU's lawsuit, incurring additional costs to support the litigation.

In the reporting year, the Bank's management did not make any decisions on merger, acquisition, division, spin-off or transformation of the Bank or on termination of certain activities of the Bank. There was no bankruptcy proceedings initiated or resolution on the Bank's rehabilitation, nor did the Bank's supreme governing body or court decide on the Bank's termination or bankruptcy.

Regarding the claim of the Cabinet of Ministers of Ukraine against the Bank: The decision of the Commercial Court of Kyiv dated 6 February 2025 dismissed the claim of the State represented by the Cabinet of Ministers of Ukraine against the Bank and other defendants for recovery of funds. The Bank has a strong legal position on the merits of the dispute, and therefore sees no risks in satisfying the plaintiff's claims and, accordingly, no risks to the Bank's going concern.

The Bank is involved as a third party without making separate independent claims in several lawsuits brought by the Bank's ultimate beneficial owners against the National Bank of Ukraine regarding the regulator's decisions.

The Bank has consistently high financial strength ratios, including liquidity and capital ratios. The Bank's management has received assurances of the shareholder's support, is actively engaged with the Supervisory Board in this regard and is confident that any court decision will not affect the Bank's financial position.

The Bank's management believes that the application by the National Bank of Ukraine in January 2024 of the measure of influence in the form of deprivation of voting rights to the owners of significant participation in the Bank, including the Bank's shareholder, does not affect the Bank's financial stability and its going concern.

The Bank has established competent and effective Supervisory Board and Management Board, which, if necessary, consider all issues of the Bank's activities within their competence.

Each decision of the NBU in relation to the shareholders and the Bank's ultimate beneficial owners (hereinafter "UBO") is or will be challenged in court and there is every reason to expect a fair decision in view of the decision of the Kyiv District Administrative Court dated on April 10, 2024 (upheld by the decision of the appellate court) and the decision of the Kyiv District Administrative Court dated February 12, 2025, which satisfied the administrative claims of Bank's UBO against the NBU, and according to which the decisions of the NBU, which became the basis for depriving the owners of significant participation of the voting rights, were declared unlawful and cancelled.

On February 13, 2025, the Kyiv District Administrative Court, following a claim filed by one of the Bank's UBOs, declared unlawful and cancelled the decision of the National Bank of Ukraine to prohibit the use of its voting rights.

3. INDICATORS OF THE BANK'S DEVELOPMENT IN 2024.

As at 31.12.2024, the Bank's assets amounted to UAH 1,416,240 thousand (31.12.2023: UAH 1,303,493 thousand).

The quality of assets of BANK AVANGARD JSC is good. Highly liquid assets remain the main component of the Bank's assets. Highly liquid assets are mainly represented by government bonds and deposit certificates of the National Bank. Funds on NOSTRO accounts are placed with resident banks.

The Bank's liabilities as at 31.12.2024 amounted to UAH 1,059,956 thousand (31.12.2023: UAH 959,855 thousand). The resource base is formed by customer accounts, in particular, short-term funds of legal entities and individuals. As at 31 December 2024, the portfolio of customer accounts amounted to UAH 1,020,259 thousand (31 December 2023: UAH 871,552 thousand).

Information on entering into derivative contracts: no derivative contracts were entered into in 2024.

In 2021, BANK AVANGARD JSC issued and placed 100,000 (one hundred thousand) Series A bonds maturing on 08.04.2026 and 100,000 (one hundred thousand) Series B bonds maturing on 07.04.2027. During 2021, the Bank redeemed 77,500 (seventy-seven thousand five hundred) Series A bonds of its own debt maturing on 08.04.2026 and 97,500 (ninety-seven thousand five hundred) Series B bonds maturing on 07.04.2027. In the first quarter of 2022, the Bank redeemed 18,000 (eighteen thousand) Series A bonds of its own debt maturing on 08.04.2026.

As at 31 December 2024, the total amount of bonds placed was UAH 7 million.

As at 31.12.2024, the Bank's equity amounted to UAH 356,284 thousand (31.12.2023: UAH 343,638 thousand). The main component of the equity capital is the Bank's share capital.

As at 31 December 2024, the Bank's share capital amounted to UAH 231 800 thousand (31.12.2023: UAH 200,080 thousand).

As at 31.12.2024, the Bank's regulatory capital amounted to UAH 344,300 thousand, including Tier I capital in the amount of UAH 344,300 thousand.

During the reporting period, the Bank complied with the prudential ratios of the National Bank of Ukraine, which as at 31.12.2024 were as follows:

	Characteristic value	As at the end of 31 December 2024	As at the end of 31 December 2023
Regulatory capital ratio (N1)	UAH 200 000 thousand	UAH 344 300 thousand	UAH 340 337 thousand
Regulatory capital adequacy ratio (N2)	Not less than 8,50%	45,95%	80,50%
LCRBB	100%	285,0938%	521,2656%
LCRIB	100%	479,3203%	607,8046%
NSFR	100%	702,7163%	588,7717%

In order to monitor banks' liquidity, the National Bank has introduced the following liquidity ratios: liquidity coverage ratio (LCR), for all currencies (LCRBB) and for foreign currency (LCRIB).

Liquidity Coverage Ratio (LCR) is a liquidity ratio that sets the minimum level of liquidity required to cover a net expected cash outflow for 30 calendar days, taking into account the stress scenario (hereinafter referred to as net expected cash outflow).

The Bank calculates its Liquidity Coverage Ratio (LCR) daily as the ratio of high-quality liquid assets to the expected net cash outflow.

Net stable funding ratio (NSFR) is a liquidity ratio that establishes the minimum required level of stable funding for the bank's operations for a one-year horizon. The Bank calculates the Net Stable Funding Ratio (NSFR) as the ratio of available stable funding (ASF) to required stable funding (RSF).

Following the results of 2024, the Bank's activities are income-generating and the net profit amounted to UAH 10 292 thousand.

More information is provided in the Annual Financial Statements of the Bank for 2024.

On 20.02.2025, the independent rating agency "Credit-Rating" affirmed the long-term credit rating of JSC "BANK AVANGARD" at the highest level uaAAA. The maximum rating was also confirmed for the bank's issues of interest-bearing registered unsecured bonds. The outlook of all ratings is "stable". The rating report can be found at the link: <https://avgd.ua/wp-content/uploads/AVNG-001-024-short.pdf>

In 2024, the Bank transferred about UAH 27 million to Ukraine's aid projects, which it sent to the Ukrainian fundraising platform United24, as well as to the largest and most transparent reputable Ukrainian charitable foundations. These funds were used to purchase military property, vehicles, weapons and other equipment.

As a socially responsible business, the Bank will continue to provide assistance to Ukraine to the maximum extent possible this year.

4. THE BANK'S PLANS FOR 2025 AND FOR THE LONG TERM.

In 2025, due to changes in the market situation, the Bank plans to hold the government bonds portfolio in the amount of ~600 million UAH. The Bank plans to raise funds counterparties under the best market conditions to invest in Domestic Government Bonds. The remaining assets will consist of due from other bank and short-term loans granted to reliable borrowers. At the same time, 85% of the Bank's assets are placed for up to 30 days, and at least 85% of the assets are highly liquid, as they consist of interbank loans, domestic government bonds and cash on correspondent accounts with the most reliable Ukrainian and foreign banks. At least 80% of the due to customers are funds of legal entities.

In 2025-2027, the Bank plans to maintain the same structure and quality of the Bank's assets as in previous periods.

At the same time, the Bank does not conduct and does not plan to conduct cash transactions, as well as retail business, except for transactions with domestic government debt bonds, forex, settlement and passive transactions for private investors.

High and stable performance indicators compared to industry averages confirm the economic feasibility of the bank's concept and its high technological efficiency.

At the same time, the Bank is dependent on interest rates and changes in exchange rates. Therefore, a promising area of work is the introduction of new products with a focus on increasing the share of commission income in the Bank's revenue structure, attracting large companies interested in the Bank's services, and developing transaction business.

In order to attract customers and promote the Bank's services, the Bank plans to improve all sales channels, including the Bank's website, expanding the functionality of the Bank's mobile application, information work (analytical reports, reviews, legal opinions and recommendations to customers, etc.), mechanisms for attracting new customers to the Bank and optimising operational procedures to meet the requirements of the times in terms of speed and simplicity of transactions and reliability of settlements.

In the context of the economic downturn and reduction of customers' business, taking into account the requirements and opportunities of the Law of Ukraine "On Payment Services" and the implementation of the National Bank's SEP-4, the Bank improves the technological capabilities of its payment automation systems to develop cooperation with non-bank payment service providers and provide them with settlement bank services. Thus, the Bank is focused on developing its transactional business to increase its customer base and generate commission income.

An important area of work (as soon as possible) is also the opening of direct correspondent accounts with leading international banks, which will significantly increase commission income.

The Bank's activities in the areas of transactional business, money market, foreign exchange market, debt securities market, digital banking are certified according to international standards for quality management system ISO 9001:2015 and information security management system ISO/IEC 27001:2022. The Bank is implementing a business continuity management system in accordance with the international standard ISO 22301.

High reliability of the Bank's IT services located in the De Novo cloud environment and provided with high-speed aggregated communication channels provides the Bank's customers with uninterrupted secure access to the remote service system and allows for quick settlements. To ensure the continuous operation of the Bank and its information systems, additional backup communication channels have been created, a 'hot standby' is maintained at the NBU's respective locations, and mechanisms have been implemented to promptly restore data from backup copies. The Bank plans to continue improving information security and continuity of services, and to maintain compliance of banking settlement technologies with the best practice standards.

The Bank plans to strengthen the crypto-resistance of its settlement mechanisms and systems, and will work to create an innovative platform for the development of new products and services. In 2025-2027, the priority areas are the introduction of artificial intelligence (AI) technologies for:

- Real-time transaction analysis to identify suspicious transactions and prevent fraud;
- Automation of financial monitoring processes for prompt detection of anomalies;
- Optimising internal operational procedures, such as document processing and credit checks;
- Personalise customer service by predicting customer needs and automatically offering appropriate banking products;
- Using AI assistants to support customers in remote service systems.

By implementing electronic document management and qualified electronic signature (QES), the Bank ensures fast and reliable exchange of documents, which increases the efficiency of operations.

As the Bank's goal is to be a fully digital bank to the extent permitted by the applicable laws, the Bank will continue to optimise all operational procedures, introduce new software products to automate routine tasks, speed up database checks, and improve the efficiency

of settlement operations and financial monitoring procedures. This will ensure high reliability of services and sustainable profitability of the bank.

In 2025-2027, the Bank plans to conduct its activities in accordance with anti-corruption procedures in accordance with the ISO 37001 standard for anti-corruption management system.

The Strategy and other plans may be reviewed to clarify the key financial market indicators that are a prerequisite for its preparation, and to make appropriate changes in the event of the introduction of new products.

5. THE BANK'S NEED FOR FINANCING.

In view of the special concept and business model of the Bank as a treasury bank, we believe that the Bank does not require additional financing for its activities; its authorized capital is sufficient to meet regulatory requirements for the period of up to 2027.

6. RESOURCES OF THE BANK.

The key financial resources of the Bank are the capital and borrowed funds of other banks and clients of the Bank. The share capital is over 65% of the Bank's Equity. The high level of capitalization reduces the Bank's sensitivity to risks and provides an opportunity for further development.

The resource base is formed by customer funds, in particular, short-term funds of legal entities and individuals. Despite the predominance of funds in current accounts of customers against the background of concentration of liabilities to major creditors, the lack of a regional network, small number of customers and predictability of their cash flows, as well as a significant amount of highly liquid assets, reduce the Bank's sensitivity to liquidity risk.

The Bank's liabilities, which are mainly formed by funds of economic entities, the small size of the loan portfolio and the structure of its collateral, as well as the high level of capitalization and acceptable level of provisions for active operations reduce the Bank's sensitivity to risks.

Key non-financial resources of the Bank: intellectual capital of the Bank's staff, technological resources. The bank is equipped with premises, office equipment, banking equipment and special technical means to create a security system. The amount of funds invested by the Bank in fixed assets is insignificant.

The Bank is a reliable employer in the financial sector. The year 2024 was marked by martial law, blackouts caused by attacks on the country's energy system, etc. The Bank's team was able to adapt to new complex challenges and changes in the format of work. The volume of banking operations and the quality of work processes were maintained, as evidenced by the financial results for 2024.

It should be noted that the Bank fulfils its social role for privileged categories of employees (there is 1 employee on maternity leave). The rights of privileged categories of employees in labour relations are reliably protected by the state. The Bank also provides jobs for people with disabilities. As of the end of 2024, there was 2 persons with a disability. The system of staff training, assessment and development provides the Bank's employees with the necessary level of professional knowledge and skills on an ongoing basis. In 2024, some of the Bank's employees attended distance learning events held by external training providers. The Bank also worked to create training material available remotely to each employee.

Thus, in 2024, employees of all categories and areas of work were covered by the training system.

7. CORPORATE MANAGEMENT REPORT.

7.1. OBJECTIVE OF ACTIVITIES OF THE FINANCIAL INSTITUTION.

According to its Charter, the Bank has the following objectives:

- satisfaction of public needs in banking services and other financial services (except for insurance services) and other activities of banks as defined by the current legislation;
- attraction, accumulation, provision of movement and redistribution of money supply;
- as well as gaining of profit based on the results of activities not prohibited by the current legislation.

7.2. THE CORPORATE GOVERNANCE CODE THE BANK IS GUIDED BY.

The Bank's corporate governance is carried out in accordance not only with the requirements of the current legislation of Ukraine, including the Law of Ukraine "On Banks and Banking", the Law of Ukraine "On Joint Stock Companies", regulations of the National Bank and the NSSMC, but also with the recommendations of the relevant regulators and best international practices and standards relevant to banks of similar size and nature of activities. The main principles, guidelines and procedures of the Bank's corporate governance are set out in the Bank's Charter, the Bank's Corporate Governance Code and other internal documents of the Bank, which are publicly available on the Bank's website (<https://avgd.ua/about/dokumenty-banku/>)

The Bank's Corporate Governance Code defines the principles of corporate governance in the Bank, the principles of protecting the interests of shareholders, depositors and other stakeholders, the principles of transparency of decision-making, responsibility of the Bank's managers and information openness.

In 2024, the Bank fully complied with the Bank's Corporate Governance Code and the principles specified therein, and no deviations were identified.

The Bank did not make any decisions not to apply any provisions of the Bank's Corporate Governance Code.

The Bank does not have any other corporate governance practices that are applied beyond the requirements set by law, except for the case of implementing the recommendations of the relevant regulators, taking into account the relevant international practices and standards relevant to banks of similar size and nature of activities.

7.3. HOLDERS OF THE SUBSTANTIAL SHAREHOLDING IN THE BANK.

The shareholder of the Bank is WESTAL HOLDINGS LTD (location: Evagora Papachristoforou, 18, PETOUSSIS BUILDING, office 101B, 3030, Limassol, Republic of Cyprus), which has a significant stake in the Bank and at the reporting date, it directly owns 100.00% of the Bank's share capital.

Indirectly, the owners of significant participation in the Bank are:

- Legal Entity ICU HOLDINGS LIMITED (Location: Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands), which indirectly owns: 100.00% stake in the Bank through 100% stake in the legal entity WESTAL HOLDINGS LTD;

- Legal entity NAREMIUS HOLDINGS LTD (Location: Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands) which indirectly owns: 50% stake in the Bank through the legal entity ICU HOLDINGS LIMITED, which indirectly owns: 100.00% stake in the Bank through 100% stake in the legal entity WESTAL HOLDINGS LTD;
- Legal entity FILTESA HOLDINGS LTD (Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands) which indirectly owns: 50% stake in the Bank through 50% stake in the legal entity ICU Holdings Limited, which indirectly owns: 100.00% stake in the Bank through 100% stake in the legal entity WESTAL HOLDINGS LTD;

A group of persons with common economic interests, namely:

- Individual Stetsenko Kostyantyn, who indirectly owns 50% stake in the Bank through 100% stake in the legal entity NAREMIUS HOLDINGS LTD through the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% in the Bank through 100.00 % stake in the legal entity WESTAL HOLDINGS LTD; and
- Individual Paseniuk Makar, who indirectly owns 50% stake in the Bank through 100% stake in the legal entity FILTESA HOLDINGS LTD through the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100.00% in the Bank through 100.00 % stake in the legal entity WESTAL HOLDINGS LTD.

There were no changes in the composition of the owners of significant participation during the reporting year.

The Bank's management does not own the Bank's shares. No decisions were made on the repurchase of own shares.

On 22.01.2024, the National Bank temporarily deprived the holders of the Bank's significant shareholding of the voting rights, which, in the opinion of the Bank's management, does not affect the financial stability of the Bank and does not create additional risks that may affect the continuity of its operations, since in accordance with the legislation of Ukraine such a measure does not result in the termination of the Bank's activities and does not affect the fulfilment of the Bank's obligations to customers, counterparties and depositors, which are fulfilled by the Bank in a timely manner and within the established timeframe. Each decision of the NBU in relation to the shareholders and the Bank's UBO is or will be challenged in court and there is every reason to expect a fair decision in view of the decision of the Kyiv District Administrative Court dated 10.04.2024 (upheld by the decision of the appellate court) and the decision of the Kyiv District Administrative Court dated 12. 02.2025, which satisfied the administrative claims of Bank's UBO against the National Bank, and according to which the decisions of the National Bank, which became the basis for depriving the owners of significant participation of the right to vote, were declared unlawful and cancelled.

On 13.02.2025, the decision of the Kyiv District Administrative Court, following a claim by one of the Bank's UBOs, declared unlawful and cancelled the decision of the National Bank of Ukraine to ban the use of its voting rights.

The Bank has established and operates competent, suitable and effective Supervisory Board and Management Board, which, if necessary, consider all issues of the Bank's activities within their competence. In accordance with the legislation and the Bank's Charter, the exclusive competence of the shareholder includes the resolution of strategic issues of the Bank's activities, which are not expected to be resolved within the period of validity of the measure of influence applied to the Bank by the National Bank of Ukraine. This scope of the shareholder's competence does not require the shareholder's day-to-day involvement in the Bank's day-to-day operations and in ensuring the continuity of its business. The vast majority of issues necessary to ensure and maintain the financial stability

of the Bank and the continuity of its operations fall within the competence of the Supervisory Board or the Management Board of the Bank.

7.4. THE BANK'S MANAGEMENT SYSTEM.

The supreme governing body of the Bank is the General meeting of the shareholders. The Supervisory board is a collegial body of the Bank that ensures control over the activity of Management of the Bank, protection of rights of investors, other creditors and shareholders of the Bank according to the charter of the Bank, terms on Supervisory board of the Bank and the current law of Ukraine. The Supervisory board doesn't take part in the current management of the Bank.

According to the current legislation and the Bank's Charter the exclusive competence of the Supervisory Board includes:

- 1) approval of the Regulations on the Bank's Management Board, regulations on the Internal Audit Service, the Risk Management Service, the Compliance Service, the Corporate Secretary, permanent and temporary committees of the Supervisory Board, other internal regulations regulating the activities of the Bank's structural divisions, and other internal documents, the approval of which, in accordance with the requirements of the current legislation of Ukraine, is within the competence of the Supervisory Board; approving the provisions governing the Bank's activities, except for those that fall under the exclusive competence of the General Assembly and those that are submitted to the Bank's Management Board for approval by the decision of the Supervisory Board;
- 2) convening of the General Meeting, preparation and approval of the draft agenda and the agenda of the General Meeting, making a decision on the date of its holding and the inclusion of proposals in the draft agenda, except in the case of shareholders convening an extraordinary General Meeting;
- 3) consideration of the report of the Management Board and approval of measures based on the results of its consideration, decision-making based on the consequences of consideration of the report of the Management Board;
- 4) appointment and termination of powers of the Chairperson and members of the Management Board, as well as decision-making on the quantitative composition of the Management Board;
- 5) appointment and dismissal (termination of powers) of the head of the Bank's Internal Audit Service (internal auditor), Chief Risk Manager, Chief Compliance Manager;
- 6) approving the terms of employment contracts (contracts) concluded with the members of the Management Board, the head and employees of the Bank's Internal Audit Service, the Chief Risk Manager, the Chief Compliance Manager, establishing the amount of their remuneration, including incentive and compensation payments; determination of the person who will sign contracts (agreements) on behalf of the Bank with the head and members of the Bank's Management Board;
- 7) making a decision to remove the Chairperson of the Management Board or a member of the Management Board from exercising his powers, to elect a person who will temporarily exercise the powers of the Chairperson of the Management Board;
- 8) determination of an auditing firm for conducting an external audit of the Bank, including for conducting an annual audit of financial statements, and approving the terms of the contract concluded with the auditing firm, establishing the amount of payment for services;

and the election of a person authorized to sign such an agreement with the subject of audit activity;

9) consideration of the conclusion of the Bank's external audit and preparation (provision) of recommendations to the General Meeting for decision-making regarding the conclusion of the external audit;

10) making a decision to give consent to the Bank's execution of significant transactions or transactions with an interest in cases established by the legislation of Ukraine.

11) election of the Corporate Secretary and approval of the Regulations on the Corporate Secretary;

12) creation of temporary and permanent committees of the Supervisory Board, determination of their personnel, powers and other issues of functioning, review of reports (conclusions) of temporary and permanent committees of the Supervisory Board;

13) approval and control over the implementation of the Bank's strategy, business plan, plans for the restoration of the Bank's activities, financing of the Bank in crisis situations, ensuring the continuous operation of the Bank;

14) ensuring the operation and control over the effectiveness of the Bank's comprehensive and adequate internal control system, including the risk management system, internal audit;

15) determination of the Bank's credit policy;

16) control over the elimination of deficiencies identified by the National Bank of Ukraine and other state power and management bodies that, within the scope of their competence, supervise the activities of the Bank, the Internal Audit Service and the audit firm, based on the results of the external audit;

17) determination of remuneration policy in the Bank in accordance with the requirements established by the National Bank of Ukraine, as well as control over its implementation;

18) approval of the regulation on the remuneration of the members of the Management Board; approval of the report on the remuneration of the members of the Management Board;

19) carrying out an annual assessment of the performance of the Bank's Supervisory Board in general and each member of the Bank's Supervisory Board in particular, committees of the Bank's Supervisory Board, assessment of the compliance of the Bank's Supervisory Board's collective suitability to the Bank's size, complexity, volumes, types, nature of operations carried out by the Bank, organizational structure and risk profile the Bank, taking into account the peculiarities of the Bank's activities and/or the activities of the banking group, which the Bank is a part of, as well as taking measures to improve the mechanisms of the Bank's board of operations based on the results of such an assessment;

20) carrying out an annual assessment of the effectiveness of the Bank's Management Board in general and each member of the Bank's Management Board, in particular, the Risk Management Service, the Compliance Service, the Bank's Internal Audit Service, assessing the compliance of members of the Bank's Management Board, the Chief Risk Manager, the Chief Compliance Manager, the Head of the Internal Audit Service with qualifications requirements, assessment of compliance of the collective suitability of the Bank's Management Board with the Bank's size, complexity, volumes, types, nature of operations carried out by the Bank, organizational structure and risk profile of the Bank, taking into account the specifics of the Bank's activities and/or activities of the banking group, which includes the Bank, as well as taking measures on improving the mechanisms

of the Bank's Management Board and the Risk Management Service, the Compliance Service, and the Bank's Internal Audit Service based on the results of such an assessment;

21) control over the preparation of the Report on the remuneration of members of the Supervisory Board;

22) exercise of other powers attributed to the competence of the Supervisory Board by the Law of Ukraine "On Joint Stock Companies", current legislation of Ukraine or the Bank's Charter.

The executive body of the Bank is the Management Board, which manages the current activities of the Bank, resolves issues in its competence, determined by the Charter of the Bank, Regulation on the Management Board of the Bank and is responsible for the effectiveness of activity of the Bank according to the current legislation and Charter of the Bank.

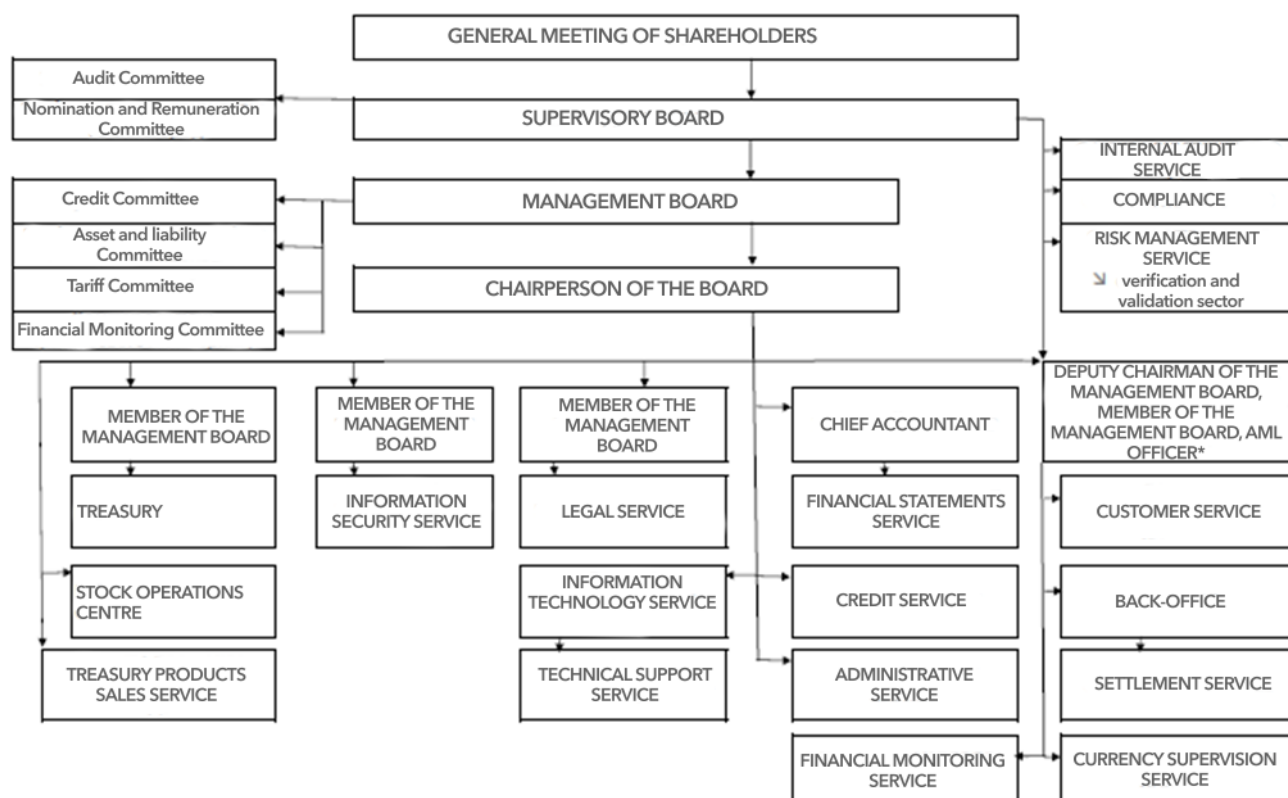
The competence of the Management Board includes resolving all issues related to the management of the Bank's current activities, except for issues that fall within the exclusive competence of the General Meeting and the Supervisory Board of the Bank. General Meeting and Supervisory Board can make a decision regarding transfer of authority to the competence of the Management Board except for authority, referred to by applicable law of Ukraine and Bank's Charter to exclusive competence of each of the bodies of management of the Bank.

The Management board is accountable to Supervisory Board of the Bank. The Management Board decides on the managing of the Bank's structural divisions, monitors the Bank's compliance with the current legislation of Ukraine; organizes deposit operations for the Bank's cash assets and valuables, accounting and reporting transactions, internal controls and other issues regarding the Bank's activities: reviews and approves the internal documents at the Bank within its competence, decides on the establishment, management and liquidation of the Bank's structural divisions other than those which fall within the exclusive competence of the Supervisory Board, and exercises other powers stipulated by the current legislation of Ukraine.

The Bank's organizational structure is based on the main directions, each of them being dependent to one of the members of the Management Board.

The Bank improves its corporate governance standards, taking into account the practices and vision of leading international companies, as well as creating the necessary conditions for timely exchange of information and effective interaction between the Supervisory Board and the Executive Body.

Organisational structure of the Bank as at 31.12.2024



The number of employees of the bank at the end of 2024 is 37 persons.

The Bank does not plan a significant increase in staff or significant personnel changes. In 2025, the Bank plans to increase its staff to a maximum of 40 employees to support business development and control functions.

As of 31.12.2024, managers and officials of the Bank have sufficient experience in their field of activity, relevant education and proven impeccable business reputation.

The Bank does not have a corporate rights adviser.

7.5. INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS (MEMBERS) AND GENERAL DESCRIPTION OF THE DECISIONS MADE AT THE MEETINGS.

The sole shareholder of the Bank, the owner of 122,000 units of ordinary registered shares of the Bank, which make up 100% of the authorized capital of the Bank, is: WESTAL HOLDINGS LTD, a company established and operating in accordance with the legislation of Cyprus, registration number - HE244019 (hereinafter - the "Shareholder").

According to Article 60 of the Law of Ukraine "On Joint Stock Companies" (hereinafter - the Law), the provisions of Articles 40 - 57 of the Law on the procedure for convening and holding general meetings of shareholders do not apply to a company with one shareholder (similar provisions were in previous version of the mentioned law).

The decision of the Shareholder has the status of the minutes of the General Meeting of Shareholders of the Bank.

During 2024, there were restrictions on shareholders' participation and voting rights at the Bank's General Meeting of Shareholders. On January 22, 2024, the Committee on Supervision and Regulation of Banks, Supervision (Oversight) of Payment Infrastructure of the

National Bank of Ukraine adopted Resolution No. 24/65-pk on recognising the business reputation of the owner of a significant interest in JSC "BANK AVANGARD" WESTAL HOLDINGS LTD as impaired and applying a temporary measure of influence to him, until the violation is eliminated, a ban on the use of voting rights for 122,000 (one hundred and twenty-two thousand) ordinary registered shares of BANK AVANGARD JSC, which constitute 100% of the Bank's share capital.

In 2024, the sole shareholder of the Bank made such decision.

Date	Agenda	Decisions taken
19.01.2024	1. On remuneration of the Bank's Supervisory Board members.	1. In accordance with the Policy on Remuneration in the Bank and the Regulations on Remuneration of Supervisory Board Members in the Bank, establish and pay the remuneration to the members of the Supervisory Board of the Bank in the amount according to the annex to this decision as the compensation for tax deductions for D&O liability insurance, which is income in non-monetary form, the payment of remuneration. Set the date of payment of the remuneration to members of the Supervisory Board no later than 31.01.2024. 2. To establish an allowance for the Chairperson and Deputy Chairperson of the Supervisory Board of the Bank for the performance of the functions of the Chairperson and Deputy Chairperson of the Supervisory Board of the Bank in the amount of 30% of the remuneration established for them. 3. To approve changes to the terms of agreements concluded with the Chairperson, Deputy Chairperson and the Supervisory Board members of the Bank (the draft is attached as a separate file). To elect S.A. Korchynska, the Chairperson of the Management Board of the Bank, as the person authorized to sign agreements with the Chairperson, Deputy Chairperson and the Supervisory Board members of the Bank (including in the case of a change of the Chairperson and/or Deputy Chairperson of the Bank's Supervisory Board).

7.6. SUPERVISORY BOARD OF THE BANK. GENERAL DESCRIPTION OF THE DECISIONS MADE.

The Supervisory Board of the Bank is a collegial body that controls the Management Board, protects the rights of depositors, other creditors and shareholders of the Bank according to the Charter of the Bank and Regulation on the Supervisory board of the Bank and the legislation of Ukraine. The Supervisory board does not take part in current management of the Bank.

The Supervisory Board collectively makes decisions within its competence and ensures the implementation of the decisions of the Supreme Body of the Bank - the General Meeting of Shareholders.

The Supervisory Board reports to the General Meeting of Shareholders on its activities, the general condition of the Bank and the measures taken by it to achieve the goals and strategic objectives of the Bank.

The purpose of the Supervisory Board is to represent the interests and protect the rights of Shareholders, ensure the effectiveness of their contributions, promote the Bank's statutory objectives, develop a strategy to increase profitability and competitiveness of the Bank, control the Bank's Management Board. The independence and integrity of the Supervisory Board are necessary prerequisites for fulfilling its role.

In 2024, the Supervisory Board of the Bank worked in the following composition:

The Chairperson of the Supervisory Board (independent member):	M. V. Stetsenko
Deputy Chairman of the Supervisory Board (shareholder representative):	M.V. Grinchenko
Members of the Supervisory Board (shareholder representatives):	R. I. Kilmukhametov H.O. Ovcharenko
Independent Members of the Supervisory Board:	V. V. Gladun O.M. Kurinnyy

As of 01.01.2024, the Chairman of the Supervisory Board was not elected. On 11.01.2024, an independent member of the Supervisory Board, Stetsenko M.V., was elected as the Chairman of the Supervisory Board, and Grinchenko M.V. was elected as the Deputy Chairman of the Supervisory Board.

The members of the Supervisory Board have independently familiarised themselves with the content of the Bank's internal documents regarding their rights and obligations.

There were no changes in the composition of the Supervisory Board in 2024.

As of 31.12.2024, the members of the Supervisory Board have an impeccable business reputation, are not members of the Management Board of the Bank and/or participants or members of the governing bodies of a legal entity that competes with the Bank's activities. In addition, when electing members of the Supervisory Board, a thorough analysis of candidates is carried out to ensure that they do not have a conflict of interest, as well as other factors that, in accordance with the current legislation of Ukraine, would prevent them from holding positions in the Supervisory Board.

In order to ensure the independence of the Supervisory Board, independent members of the Supervisory Board are elected to the Supervisory Board, which is confirmed by the absence of any significant business, family or other ties with the Bank, members of the Management Board or a shareholder of the Bank, and such independent members are not representatives of the state.

The Chairperson, Deputy and Members of the Supervisory Board have higher education and significant experience in the financial sector, make informed decisions, which demonstrates their competence and efficiency and is confirmed by the Bank's performance during the reporting year.

The organisational form of the Supervisory Board is a meeting. The Supervisory Board may also make decisions by absentee voting (by survey). During 2024, the Supervisory Board made decisions in accordance with the competence defined by the Bank's Charter and the Regulation on the Supervisory Board.

During 2024, the Supervisory Board held 8 meetings, including joint meetings with the Management Board, and in the period between the meetings of the Supervisory Board, 16 decisions were made without convening meetings by absentee voting (survey) of the Supervisory Board members. All meetings of the Supervisory Board held were duly constituted.

During 2024, the Supervisory Board carried out activities/decisions in the following areas:

1. Selecting the audit firm and determining the terms of the agreement to be concluded with it, setting the amount of payment for its services.
2. Consideration of the Auditor's report on the audit of internal control and compliance with the anti-money laundering programme.
3. Approval and review of the Bank's internal documents provided for by the current legislation of Ukraine, including the Bank's internal documents on remuneration.
4. Reviewing quarterly reports of the Management Board on the results of the Bank's financial and business activities, as well as the annual report;
5. Reviewing reports on assessment of all risks to which the Bank is exposed and assessment of the effectiveness of the risk management system and internal control system;
6. Making decisions on improvement of the risk management system and internal control system, as well as on the banking group with the Bank's participation;
7. Resolving other issues within the exclusive competence of the Supervisory Board in accordance with the current legislation of Ukraine and the Bank's Charter.

On 11.01.2024, the Bank's Supervisory Board Committees were established, namely the Audit Committee and the Nomination and Remuneration Committee.

In 2024, the Audit Committee of the Bank's Supervisory Board worked of the following members:

Chairman of the Audit Committee
(independent member):

O.M. Kurinnyy

Members of the Audit Committee:

R.I. Kilmukhametov
H. O. Ovcharenko

During 2024, the Audit Committee of the Supervisory Board held 5 meetings and in the period between the meetings of the Audit Committee of the Supervisory Board, 7 decisions were made without convening meetings by absentee voting (survey) of the committee members, during which the following issues were considered:

- Review of reports on financial results and preparation of recommendations to the Supervisory Board thereon;
- Review of reports on the results of further internal control based on the results of monitoring of the internal control system and preparation of recommendations to the Supervisory Board thereon;
- Review of reports on the correctness of risk limit calculations and preparation of recommendations to the Supervisory Board thereon;
- Consideration of Reports on Control over Transactions with Banking Group Members and Banking Group Reporting and preparation of recommendations to the Supervisory

Board thereon;

- Consideration of the assessment of the effectiveness of the operational risk management system (ORMS) and internal control system based on the results of the monitoring and preparation of recommendations to the Supervisory Board thereon;
- Consideration of the report (conclusions) of the external audit of the Bank and preparation of recommendations to the Supervisory Board/shareholder of the Bank for decision-making thereon;
- Providing the Bank's Supervisory Board with recommendations on approval of the annual information of the issuer of securities (annual report);
- Review of the audit report, the Internal Audit Service Work Plan and other issues related to the work of the Internal Audit Service and preparation of recommendations to the Supervisory Board thereon;
- Consideration of issues related to the process of planning the recovery of the Bank's activities and assessing the effectiveness and feasibility of the Bank's Recovery and Crisis Financing Plan and preparation of recommendations to the Supervisory Board on them;
- Consideration and submission of recommendations to the Supervisory Board on the selection of an audit firm to audit the financial statements of the Bank and the banking group with the Bank's participation for 2024;
- Consideration of the results of inspections, action plans, reports on their implementation and provision of recommendations to the Supervisory Board;
- Consideration of the issue of review and approval of the Bank's internal documents and provision of relevant recommendations to the Supervisory Board;
- Resolving other issues within the competence of the committee.

On all issues considered, the Audit Committee of the Bank's Supervisory Board prepared relevant proposals, comments and recommendations for further consideration and/or approval by the Bank's Supervisory Board.

All meetings of the Audit Committee of the Supervisory Board that took place were duly constituted.

There were no changes in the composition of the Audit Committee of the Supervisory Board in 2024.

In 2024, the Nomination and Remuneration Committee of the Bank's Supervisory Board acted in the following composition:

Chairman of the Nomination and
Remuneration Committee (independent
member):

V. V. Gladun

Members of the Nomination and
Remuneration Committee:

M. V. Stetsenko
M.V. Grinchenko

During 2024, the Nomination and Remuneration Committee of the Supervisory Board held 2 meetings and, in the period between meetings of the Nomination and Remuneration Committee of the Supervisory Board, adopted 9 decisions without convening meetings by absentee voting (survey) of the committee members, during which the following issues were considered:

- Consideration of the issue of the Bank's Chief Risk Officer, his/her acting duties and submission of relevant recommendations to the Supervisory Board;

- Consideration of the effectiveness evaluation of the Risk Management Service, the Compliance Service and their heads and provision of relevant recommendations to the Supervisory Board;
- Consideration of the report of the Management Board for 2023 and approval of measures based on the results of its consideration, decision-making on the results of consideration of the Management Board's report, as well as on the assessment of the effectiveness of the Management Board and provision of relevant recommendations to the Supervisory Board;
- Consideration of the issue of approving the report of the Bank's Supervisory Board for 2023, assessment of the Supervisory Board's effectiveness and assessment of the collective suitability of the Management Board and the Supervisory Board of the Bank and providing the Supervisory Board with relevant recommendations;
- Consideration of the approval of remuneration reports and provision of relevant recommendations to the Supervisory Board;
- Consideration of the approval and revision of the Bank's internal documents and provision of relevant recommendations to the Supervisory Board;
- Consideration of the issue of filling vacancies in key areas of activity or reviewing the organisational structure of the Bank and making relevant recommendations to the Supervisory Board;
- Consideration of the issue of approval of the Bank's organisational structure and submission of relevant recommendations to the Supervisory Board;
- Consideration of the issue of appointment of a Member of the Management Board of the Bank and submission of relevant recommendations to the Supervisory Board;
- Consideration of the issue of the responsible officer for financial monitoring and provision of relevant recommendations to the Supervisory Board;
- Consideration (approval) of the results of verification of compliance of the Bank's managers, including the responsible officer for financial monitoring and the Head of the Compliance Service (Chief Compliance Officer), the Head of the Risk Management Service (Chief Risk Officer), the Head of the Internal Audit Service, the Corporate Secretary of the Bank with the requirements established by the legislation of Ukraine and submission of relevant recommendations to the Supervisory Board.
- Resolving other issues within the competence of the Committee.

On all the issues considered, the Nomination and Remuneration Committee of the Bank's Supervisory Board prepared relevant proposals, comments and recommendations for further consideration and/or approval by the Bank's Supervisory Board.

All meetings of the Nomination and Remuneration Committee of the Supervisory Board that have taken place are duly constituted.

There were no changes in the composition of the Nomination and Remuneration Committee of the Supervisory Board in 2024.

In accordance with the current version of the Bank's Charter, the Supervisory Board consists of the Chairman and other members of the Supervisory Board (hereinafter referred to as the Supervisory Board members). In accordance with the Bank's Charter, the number of members of the Supervisory Board may not be less than five (5) persons and not more than nine (9) persons.

Only an individual may be a member of the Supervisory Board. Members of the Supervisory Board may be independent members of the Supervisory Board, shareholders of the Bank

and representatives of the Bank's shareholders. A member of the Supervisory Board may be an individual with full civil capacity.

The members of the Supervisory Board may not be members of the Management Board of the Bank, as well as hold other positions in the Bank under the terms of an employment agreement (contract) or provide services to the Bank in accordance with a civil law contract.

The Supervisory Board shall consist of at least one third of independent members of the Supervisory Board, and the number of such members shall be at least three. An independent member of the Supervisory Board is a member of the Supervisory Board who is not influenced by other persons in the decision-making process while performing the duties of an independent member of the Supervisory Board. The requirements for persons who cannot be considered independent members of the Supervisory Board shall be established by the legislation of Ukraine.

11.01.2024 an independent member of the Supervisory Board, Stetsenko M.V., was elected as the Chairman of the Supervisory Board.

When electing members of the Supervisory Board, along with information on each candidate (details of the shareholder, size of the shareholding), the ballot for cumulative voting shall contain information on whether such candidate is a shareholder, representative of a shareholder or a group of shareholders (with information on such shareholder or shareholders), or a candidate for the position of an independent member. A member of the Supervisory Board elected as a representative of a shareholder or a group of shareholders may be replaced by such shareholder or group of shareholders at any time.

At least half of the members of the Supervisory Board, including the Chairman of the Supervisory Board, must have at least three years of experience in the banking and/or financial sector.

Members of the Supervisory Board must have higher education, meet the requirements of the current legislation of Ukraine, as well as the qualification requirements for professional suitability and business reputation. The National Bank of Ukraine shall determine the compliance of professional suitability and business reputation in accordance with the procedure provided for by the current legislation of Ukraine.

The members of the Supervisory Board shall meet the qualification requirements throughout the entire period of holding their respective positions, and independent members of the Supervisory Board shall also meet the requirements for their independence.

Members of the Supervisory Board shall be elected exclusively by cumulative voting in accordance with the procedure established by the current legislation of Ukraine, except in cases where the Bank is owned by one person. Candidates for members of the Supervisory Board shall be submitted to the General Meeting by the Bank's shareholders.

Members of the Supervisory Board are elected by the General Meeting of Shareholders for a term not exceeding three years. In accordance with the Decision of the National Securities and Stock Market Commission "On Determining the Peculiarities of Holding General Meetings of Joint Stock Companies and General Meetings of Participants of Corporate Investment Funds for the Period of Martial Law" No. 154 dated 16.02.2023, "in case of expiration of the term of office of members of the governing bodies of a joint stock company during the period of martial law, their powers are considered extended until the date of adoption by the general meeting of the joint stock company of the decision to elect members of the governing bodies of the joint stock company".

Members of the Supervisory Board shall be elected by shareholders during the General Meeting for a term not exceeding three years.

If the number of members of the Supervisory Board whose powers are valid is less than half of its total composition determined by the General Meeting in accordance with the requirements of the law, the Bank shall convene an extraordinary General Meeting within three months to elect the remaining members of the Supervisory Board, and in case of election of members of the Supervisory Board by cumulative voting - to elect the full composition of the Supervisory Board of the Bank.

Persons elected as members of the Supervisory Board may be re-elected an unlimited number of times.

The powers of a member of the Supervisory Board elected by cumulative voting may be terminated early by the decision of the General Meeting only if the powers of the entire Supervisory Board are simultaneously terminated. In this case, the decision to terminate the powers of the members of the Supervisory Board shall be taken by the General Meeting by a simple majority of votes of shareholders who have registered for participation in the meeting and hold shares voting on the relevant issue. The provisions of this paragraph shall not apply to the right of the shareholder(s) whose representative(s) is/are elected to the Supervisory Board to replace his/her representative - a member of the Supervisory Board.

The Chairperson and members of the Supervisory Board of the Bank assume their positions after their approval by the National Bank of Ukraine.

A member of the Supervisory Board may not be the head, official and / or member of the board of a bank or other governing body of another bank registered in Ukraine, except as provided by the legislation of Ukraine.

A member of the Supervisory Board must perform his / her duties personally and may not delegate his / her powers to another person.

Members of the Supervisory Board may be remunerated for their activities. The procedure for payment of remuneration to members of the Supervisory Board is established in accordance with the legislation of Ukraine.

Chairperson of the Supervisory Board

The Chairperson of the Supervisory Board is elected by the members of the Supervisory Board from among them by a simple majority of votes from the number of members of the Supervisory Board. The Supervisory Board has the right to re-elect the Chairperson of the Supervisory Board at any time.

A member of the Supervisory Board who was the Chairperson of the Management Board during the previous year may not be elected Chairperson of the Supervisory Board.

Chairperson of the Supervisory Board:

- organizes the work of the Supervisory Board, convenes its meetings and chairs them;
- approves the agenda of the Supervisory Board meetings;
- organizes keeping minutes of meetings of the Supervisory Board;
- organizes work on creation of committees of the Supervisory Board, nomination of members of the Supervisory Board to the composition of these committees, as well as coordinates the activities, relations of the committees among themselves and with other bodies and officials of the Bank;
- prepares a report and reports to the General Meeting on the activities of the Supervisory Board, the general condition of the Bank and the measures taken by it to achieve the objectives of the Bank;

- maintains constant contacts with other bodies and officials of the Bank;
- exercises other powers provided by the current legislation and the Charter of the Bank and necessary to ensure the work of the Supervisory Board;
- exercises other powers provided by the Charter, the Regulations on the Supervisory Board, current legislation and necessary to ensure the work of the Supervisory Board.

If it is impossible for the Chairperson of the Supervisory Board to perform his / her powers, one of the members of the Supervisory Board shall exercise his / her powers upon its decision, unless otherwise provided by the Charter or the Regulations on the Supervisory Board.

Members of the Supervisory Board have the right to:

- 1) participate in the meetings of the Management Board of the Bank;
- 2) receive complete, reliable and timely information about the Bank, necessary for the performance of its functions;
- 3) get acquainted with the Bank's documents, receive their copies, as well as copies of the documents of the Bank's subsidiaries. The above information and documents shall be provided to the members of the Supervisory Board within 5 (five) days from the date of receipt by the Bank of the relevant request addressed to the Chairperson of the Management Board of the Bank;
- 4) require, if necessary, the convening of extraordinary meetings of the Supervisory Board of the Bank;
- 5) provide written comments on the decision of the Supervisory Board of the Bank.

Responsibilities of the members of the Supervisory Board:

- 1) to act in the interests of the Bank in good faith and reasonably and do not exceed its authority; The obligation to act in good faith and prudence means the need to show the integrity, prudence and due diligence that a person would hold in such a position in such circumstances.
- 2) to be guided in its activities by the current legislation of Ukraine, the Bank's Charter and other documents of the Bank;
- 3) comply with the decisions adopted by the General Meeting and the Supervisory Board of the Bank;
- 4) to participate personally in the meetings of the Supervisory Board and in the work of the committees of the Supervisory Board. Inform in advance about the impossibility to participate in the meetings of the Supervisory Board, indicating the reason for absence;
- 5) to adhere to the rules and procedures established by the Bank for concluding transactions in which there is an interest (conflict of interest);
- 6) to comply with all rules established by the Bank related to the regime of circulation, security and storage of information with limited access. Do not disclose confidential and insider information, as well as information that constitutes a bank secret, which became known in connection with the performance of the functions of a member of the Supervisory Board, persons who do not have access to such information, and use it in their interests or interests third parties;
- 7) to notify the Supervisory Board and the Management Board of the Bank in writing within 3 (three) days of the loss of the Bank's shareholder status;
- 8) to refrain from actions that may lead to the loss of an independent member of the Supervisory Board of its independence. In case of loss of independence, a member of the

Supervisory Board is obliged to notify the Supervisory Board and the Management Board of the Bank in writing within 3 (three) days;

9) timely provide the General Meeting, the Supervisory Board with complete and accurate information on the activities and financial condition of the Bank.

As at 31.12.2024 members of the Supervisory Board meet the requirements for professional suitability and business reputation established by the Law of Ukraine "On Banks and Banking" and regulations of the National Bank, the Charter and internal documents of the Bank, and independent members of the Supervisory Board also meet the independence requirements of Ukraine "On Joint Stock Companies".

As at 31.12.2024 members of the Supervisory Board have sufficient knowledge, skills and experience to effectively perform their functions, they have no conflict of interest (including potential) and signs of lack of impeccable business reputation, as well as enough time to perform their functions, taking into account responsibilities each member of the Supervisory Board of the Bank.

Remuneration to the members of the Supervisory Board is paid in accordance with the Regulation on Remuneration of the Supervisory Board Members of the Bank in the amount determined by the decisions of the General Meeting of Shareholders of the Bank (decisions of the sole shareholder) and disclosed in the Bank's Annual Financial Statements for 2024 (Note 24 "Administrative and other operating expenses"). All members of the Supervisory Board are paid a fixed remuneration at the market level, including bonuses for performing the functions of the Chairman and Deputy Chairman of the Supervisory Board.

In 2024, remuneration to the members of the Supervisory Board (6 persons) was paid in cash in the amount of UAH 6,543 thousand (2023: UAH 1,740 thousand), broken down as follows: a variable to offset tax deductions for voluntary liability insurance - UAH 224 thousand (2023: UAH 117 thousand), fixed - UAH 6,319 thousand (2023: UAH 1,623 thousand). In-kind remuneration to the members of the Supervisory Board was paid in the form of insurance payments under a voluntary liability insurance contract in the amount of UAH 758 thousand (2023: UAH 396 thousand).

In 2024, no variable remuneration was paid to the members of the Supervisory Board in non-monetary instruments. The remuneration was not postponed and paid on time. The Bank did not exercise the right to reduce/cancel/refund the variable remuneration previously paid to the members of the management body and influential persons. The deficiencies in the remuneration regulations identified by the National Bank of Ukraine were taken into account and improved in accordance with the recommendations provided by the National Bank of Ukraine.

The ratio of the average remuneration of a member of the executive body and the Board to the average remuneration of the Bank's employees (excluding members of the Management Board) is 2.57.

The report on remuneration of the Supervisory Board members is attached as a separate document.

Based on results of verification of compliance of the Chairperson and members of the Supervisory Board set by current law of Ukraine, was carried out by the Bank in 2024,

- 1) members of the Supervisory Board of the Bank have higher education and significant experience in the financial sector, make informed decisions, which indicates their competence and efficiency, which is confirmed by the results of the Bank's activities during the reporting year;

- 2) members of the Supervisory Board of the Bank meet the requirements of current legislation of Ukraine, as well as qualification requirements for professional suitability and business reputation throughout their tenure, and independent members of the Supervisory Board also meet the requirements for their independence;
- 3) members of the Supervisory Board of the Bank don't have the citizenship of the country that conducts the armed aggression against Ukraine;
- 4) Facts of acquisition by the members of the Bank's Supervisory Board, directly and/or indirectly, independently or jointly with other persons, of a share in a legal entity that is registered or tax resident or has its registered office in the aggressor state and/or has a separate subdivision in the aggressor state and/or holds a position and/or is in an employment relationship and/or provides services to a legal entity under a civil law contract, a person holds a position in the management body of a legal entity that owns directly and/or indirectly a share in a legal entity that is registered or is a tax resident or is located in the aggressor state and/or has a separate division in the aggressor state;
- 5) members of the Supervisory Board are not members of the Management Board of the Bank;
- 6) members of the Management Board are not members of the Supervisory Board of the Bank;
- 7) members of the Supervisory Board of the Bank have an impeccable business reputation, are not members or members of the governing bodies of a legal entity that competes with the activities of the Bank;
- 8) The facts of violation of internal documents by the members of the Supervisory Board of the Bank, which led to damage to the Bank or the Bank's clients, have not been revealed;
- 9) The facts of application of measures of influence by public authorities to the members of the Supervisory Board of the Bank have not been revealed;
- 10) The facts of the existence, including potential, of a conflict of interest, which would not have been declared and / or for which appropriate measures would not have been taken, have not been revealed.

The report of the Supervisory Board for 2024 is attached as a separate document.

7.7. THE MANAGEMENT BOARD OF THE BANK. GENERAL DESCRIPTION OF THE DECISIONS TAKEN.

The Management Board is a permanent collegial executive body of the Bank, which manages the current activities of the Bank, resolves issues within the competence defined by the Bank's Charter, Regulations on the Management Board and current legislation of Ukraine and is responsible for the Bank's efficiency in accordance with current legislation and the Charter.

The competence of the Management Board includes resolving all issues related to the management of the current activities of the Bank, except for issues that fall within the exclusive competence of the General Meeting and the Supervisory Board of the Bank. The General Meeting and the Supervisory Board may decide to transfer part of their powers to the competence of the Management Board, except for the powers referred to by the

current legislation of Ukraine and the Bank's Charter to the exclusive competence of each of these Bank management bodies.

As of 01.01.2024, the Management Board of the Bank consisted of the following members:

The Chairperson of the Management Board:	Korchynska S. A.
The Deputy Chairperson of the Management Board:	Dvorzhanska I. Y.
The members of the Management Board:	Burovsky A. S. Kokodynskyi V. O.

As of 31.12.2024, the Management Board of the Bank consisted of the following members:

The Chairperson of the Management Board:	Korchynska S. A.
The Deputy Chairperson of the Management Board:	Dvorzhanska I. Y.
The members of the Management Board:	Burovsky A. S. Kokodynskyi V. O. Halchevskyi Y. V.

During 2024, there were changes in the composition of the Bank's Management Board. 30.10.2024 The Supervisory Board of the Bank appointed Yuriy Galchevskyi as a member of the Management Board.

The organisational form of the Management Board's work is meetings at which it made decisions in 2024 in accordance with the competence defined by the Bank's Charter and the Regulations on the Management Board.

During 2024, 41 meetings of the Management Board were held, including joint meetings with the Supervisory Board of the Bank, and 2 decisions were made between the meetings of the Management Board without convening meetings by absentee voting (survey) of the Management Board members. All meetings of the Management Board held were duly constituted.

During 2024, the Management Board carried out activities / made the following, but not exclusively, decisions in the following areas:

1. Consideration of the Bank's Development Strategy for 2024-2026, the Bank's Business Plan for 2024-2026, the budget of the Internal Audit Service, Risk Management Service and Compliance Service for 2024 approved by the Supervisory Board;
2. Review of the Bank's financial performance;
3. Approval of the list of persons related to the Bank;
4. Making charitable contributions;
5. Consideration of financial results reports;
6. Consideration of reports on general risk assessment of the Bank;
7. Consideration of reports on the results of further internal control based on the results of monitoring of the internal control system;

8. Review of the effectiveness of the operational risk management system (ORMS) and the internal control system based on the results of the monitoring;
9. Review of the General Non-Financial Risk Assessment Report for 2023;
10. Consideration of reports of the responsible officer for financial monitoring;
11. Consideration of the report on the correctness of risk limit calculations;
12. Approval of the Schedule of internal follow-up control of the Bank;
13. Consideration of the audit report;
14. Consideration of the effectiveness of the adequacy of the measures taken by the Bank to ensure the functioning of an appropriate risk management system and internal control system in the field of legalisation (laundering) of proceeds of crime, terrorist financing and/or financing of proliferation of weapons of mass destruction;
15. Consideration of the Report on the activities of the Internal Audit Service;
16. Consideration of the report on the assessment of the level of compliance risk;
17. Setting the interest rate on the Bank's Series A and Series B bonds;
18. Approval of the Report of the Management Board of JOINT STOCK COMPANY «BANK AVANGARD» on the results of the Bank's financial and economic activities for 2023 (including the report on the evaluation of the Management Board's activities);
19. Consideration of the Report on Control over Transactions with Members of the Banking Group and the Banking Group's Report;
20. Approval of Risk Limits;
21. Recognition of receivables as uncollectible and write-off at the expense of provisions;
22. Resolving other issues within the competence of the Management Board in accordance with the current legislation of Ukraine and the Bank's Charter.

The Management Board consists of: The Chairperson of the Management Board, the Deputy Chairperson(s) of the Management Board and the members of the Management Board. The Board is headed by the Chairperson of the Board. In accordance with the Bank's charter, the number of members of the Management Board shall not be less than five (5) and not more than seven (7).

The Chairperson of the Management Board, Deputy Chairperson of the Management Board, and other members of the Management Board may be any individual who has full legal capacity, is not a member of the Supervisory Board, is an employee of the Bank and meets other requirements of current legislation of Ukraine. Members of the Management Board must have a complete higher education in economics, management or law; experience in the banking system in the relevant specialty for at least three years; impeccable business reputation, and must not have the citizenship of the country that conducts military aggression against Ukraine.

The Chairperson of the Management Board, the Deputy Chairperson of the Management Board and other members of the Management Board are elected to office and may be dismissed or suspended from office by decision of the Supervisory Board. The decision to elect the Chairperson of the Management Board, the Deputy Chairperson of the Management Board and other members of the Management Board shall be made by the Supervisory Board in accordance with the procedure established by the Charter and internal documents of the Bank.

The Chairperson of the Management Board assume their positions after approval by the National Bank of Ukraine. The National Bank of Ukraine determines the compliance of the professional suitability and business reputation of other members of the Management Board.

The Board is elected for an indefinite term, unless otherwise determined by the decision on appointment, the Charter or the legislation of Ukraine.

Termination of powers of members of the Management Board. The powers of the Chairman of the Management Board, Deputy Chairman of the Management Board and other members of the Management Board shall be terminated by the decision of the Supervisory Board with simultaneous decision on appointment of the Chairman of the Management Board or a person who will temporarily exercise his/her powers. The grounds for termination of powers of the Chairman of the Management Board, Deputy Chairman of the Management Board and other members of the Management Board shall be established by the current legislation of Ukraine, as well as by the contract concluded with the Chairman of the Management Board, Deputy Chairman of the Management Board and other members of the Management Board.

The Chairperson of the Management Board is elected by the Supervisory Board. The powers, rights and responsibilities of the Management Board are determined by the current legislation of Ukraine, the Charter and the Regulations on the Management Board.

The Chairperson of the Management Board manages the work and organizes the work of the Management Board, convenes meetings, ensures the keeping of minutes of meetings.

The Chairperson of the Management Board has the right, in particular, but not exclusively:

- To act on behalf of the Bank without a power of attorney, including: to represent the interests of the Bank in state institutions, enterprises of all forms of ownership and public organizations, in all law enforcement and regulatory agencies; perform transactions on behalf of the Bank and perform all legally significant actions; enter into and sign agreements, contracts;
- To represent the Bank without a power of attorney, including in relations with other business entities and individuals both in Ukraine and abroad;
- To issue a power of attorney on behalf of the Bank;
- To distribute responsibilities among the members of the Management Board of the Bank;
- To issue orders and give instructions that are binding on all employees of the Bank;
- To hire and dismiss employees of the Bank, take measures to encourage them and impose disciplinary sanctions in accordance with current legislation of Ukraine, the Charter and internal documents of the Bank;
- To establish forms, systems and procedures for remuneration of the Bank's employees in accordance with the current legislation of Ukraine, approve the staffing of the Bank and staffing of separate divisions, determine the amount of salaries of all employees of the Bank;
- To sign a collective agreement on behalf of the Bank;
- To approve job descriptions of the Bank's employees;
- To take measures for pre-trial settlement of disputes, sign lawsuits, complaints and all documents related to court hearings of claims and complaints, represent the Bank in the courts with all rights granted by law to the plaintiff, defendant, third party, including fully or partially waive claims, recognize the claim, change the subject of the claim, enter into an amicable agreement, appeal the court decision, submit an executive document for recovery or issue a power of attorney to take appropriate action to another person;
- To participate in the meetings of the Supervisory Board with the right of advisory vote;

- To perform other functions necessary to ensure the current activities of the Bank.

The Chairperson of the Management Board is personally responsible for the activities of the Bank. The Chairperson of the Management Board cannot head the structural divisions of the Bank.

In case of temporary absence of the Chairperson of the Management Board, the acting Chairperson of the Management Board may be assigned to the Deputy Chairperson of the Management Board on the basis of an order of the Chairperson of the Management Board. A person temporarily entrusted with the duties of the Chairperson of the Management Board for the period of his absence has all the powers of the Chairperson of the Management Board of the Bank provided by the legislation of Ukraine, the Charter and Regulations of the Management Board, including acting without a power of attorney on behalf of the Bank's enterprises and organizations.

In case the Chairperson of the Management Board is not appointed, the Acting Chairperson of the Management Board shall be appointed by the Supervisory Board.

Members of the Management Board have the right:

- 1) to receive complete, reliable and timely information about the Bank, necessary for the performance of their functions;
- 2) independently and as part of the Management Board to resolve issues of operational management of the Bank, which are related to their powers and functional responsibilities;
- 3) to make proposals, participate in the discussion and vote on the agenda of the Management Board meetings;
- 4) to initiate the convening of meetings of the Management Board;
- 5) to provide written comments on the decision of the Management Board;
- 6) to demand the convening of extraordinary meetings of the Supervisory Board;
- 7) to receive a fair remuneration for the performance of the functions of a member of the Management Board, the amount of which is set by the Supervisory Board.

Responsibilities of the members of the Management Board:

- 1) to act in the interests of the Bank in good faith, reasonably and within the limits of its powers;
- 2) to be guided in its activities by the current legislation of Ukraine, the Charter, these Regulations, other internal documents of the Bank;
- 3) implement the decisions adopted by the General Meeting and the Supervisory Board;
- 4) to participate personally in the meetings of the Management Board (including remotely), as well as be present at the General Meeting at the invitation of the Chairperson of the Supervisory Board or the person convening them. In case of impossibility to be present at the General Meeting, to notify in advance the person from whom the invitation was received, indicating the reasons for such impossibility;
- 5) be present at the meetings of the Supervisory Board at the invitation of the Chairperson or a member of the Supervisory Board. In case of impossibility to be present at the meeting of the Supervisory Board, to notify in advance the person from whom the invitation was received, indicating the reasons for such impossibility;
- 6) be a member of the Bank's credit committees in accordance with the procedures established by the Bank;

7) when concluding transactions with the participation of the Bank, in the commission of which there is an interest or the presence of a conflict of interest, to comply with the legally established rules and requirements for concluding such transactions;

8) comply with the rules established by the Bank related to the regime of circulation, security and storage of information with limited access. Not to disclose bank secrets, confidential and insider information, which became known through the performance of the functions of a member of the Management Board to persons who do not have access to such information, as well as to use it in their own interests or in the interests of others;

9) to prepare timely for the meetings of the Management Board, in particular, get acquainted with the materials prepared for the meeting, collect and analyse additional information, if necessary, receive expert advice, etc.;

10) to manage certain designated areas of the Bank's activity and direct the activities of the Bank's subordinate structural subdivisions in accordance with the division of responsibilities between the members of the Management Board;

11) to provide timely the General Meeting, the Supervisory Board, all members of the Management Board, internal and external auditors of the Bank with complete and accurate information on the activities and financial condition of the Bank.

The functional responsibilities of each member of the Management Board are determined by the relevant job description, agreement (contract) concluded with him, orders and directives of the Chairperson of the Management Board.

During 2024, the Bank had such committees of the Management Board:

- Credit Committee
- Tariff Committee
- Assets and Liabilities Management Committee
- Committee on Financial Monitoring

Composition of committees as of 31.12.2024:

- Credit Committee:
 - o Chairperson: Kokodynskyi V.O.
 - o Deputy Chairperson of the Committee: Burovsky A.S.
 - o Members: Korchynska S.A., Dvorzhanska I.Y., Krohmal Y.Y.

In 2024, 62 meetings of the Bank's Credit Committee were held and 2 decisions were made between meetings without convening meetings by absentee voting (survey) of the committee members. All meetings of the Committee were duly constituted.

During 2024, the Credit Committee carried out activities / made the following, but not exclusively, decisions in the following areas:

1. Monitoring of credit risk by loan portfolio;
2. Consideration of the classification of active transactions and credit risk components (EAD, PD, LGD, CCF) for calculating credit risk, as well as the amount of credit risk on the Bank's active transactions; classification of financial instruments with the definition of PD, LGD, CCF for calculating the allowance for impairment of financial instruments, the valuation model for financial assets and financial liabilities under IFRS 9, as well as the amount of allowance for impairment of financial instruments.
3. Consideration of information on determining the fair value of securities subject to forward contracts and their revaluation;
4. Determination of the fair value of securities subject to forward contracts and their revaluation;

5. Recognising receivables as uncollectible and writing them off against provisions;
6. Making decisions on credit projects and other issues in accordance with the Regulations on the Credit Committee.

- Tariff Committee:
 - o Chairperson: Kokodynskyi V.O.
 - o Deputy Chairperson of the Committee: Burovsky A.S.
 - o Members: Korchynska S.A., Dvorzhanska I.Y., Krohmal Y.Y.

In 2024, 4 meetings of the Bank's Tariff Committee were held. All meetings of the Committee were duly constituted.

During 2024, the Tariff Committee carried out activities / made the following, but not exclusively, decisions in the following areas:

1. Analysis of the cost of services and market competitiveness of existing tariffs;
2. Approval of tariff packages for certain customers/categories of customers;
3. Decisions were made on other issues in accordance with the Regulations on the Tariff Committee.

- Assets and Liabilities Management Committee:
 - o Chairperson: Kokodynskyi V.O.
 - o Deputy Chairperson of the Committee: Burovsky A.S.
 - o Members: Korchynska S.A., Dvorzhanska I.Y., Krohmal Y.Y.

In 2024, 23 meetings of the Bank's Assets and Liabilities Management Committee were held. All meetings of the Committee were duly constituted.

During 2024, the Assets and Liabilities Committee carried out activities / made the following, but not exclusively, decisions in the following areas:

1. Analysis of structural liquidity, information on weighted average interest rates for attracting and placing resources, factor analysis of interest rate risk, liquidity risk assessment, interest rate risk assessment of the banking book, market risk assessment, concentration risk assessment, monitoring of early warning indicators of liquidity crisis and risk management recommendations;
2. Analysis of terms and conditions for attracting deposits for individuals and legal entities;
3. Changes in interest rates on deposits of legal entities and individuals;
4. Decisions were made on other issues in accordance with the Regulations on the Assets and Liabilities Management Committee.

- Financial Monitoring Committee as at 31.12.2024:
 - o Chairperson: Dvorzhanska I.Y.
 - o Members: Starostenko O.V., Velychko V.A., Tarasenko N.V., Kokodynskyi V.O., Petrychenko A.S.

In 2024, the Bank's Financial Monitoring Committee held 4 meetings. All meetings of the Committee were duly constituted.

During 2024, the Financial Monitoring Committee carried out activities/decisions in the following areas:

1. On the results of monitoring of business relations with customers, which revealed suspicious activities of customers, and proposals for taking necessary measures in relation to such customers to minimise ML/TF risks.
2. On issues related to proposals to refuse to continue business relations with customers (including in the event that the customer is assessed as having an unacceptably high-risk level).

3. Concerning problematic issues arising in the course of customer due diligence activities at the Bank.
4. Changes in the AML/CFT legislation of Ukraine and the Bank's taking of necessary measures in connection with such changes (in particular, updating the Bank's internal documents on anti-money laundering/anti-terrorist financing) with indication of the timeframe for taking such measures).
5. On the results of the assessment of new banking products/services and their inherent ML/TF risks.
6. On problematic issues arising during training activities for the Bank's employees on financial monitoring.
7. Problematic issues related to the establishment of business relations with PEPs and/or their servicing.
8. On other issues related to the Bank's compliance with the requirements of the legislation of Ukraine in the field of combating money laundering/terrorist financing that require consideration.

The Chairperson and members of the Management Board meet the qualification requirements for professional suitability and business reputation established by the Law of Ukraine "On Banks and Banking" and regulations of the National Bank, the Charter and internal documents of the Bank, and do not have citizenship to a state that carries out armed aggression against Ukraine. The collective suitability of the Bank's Management Board corresponds to the size, peculiarities of the Bank's activity, nature and volumes of banking and other financial services, the Bank's risk profile, the Bank's systemic importance and the activities of the banking group of which the Bank is a part.

The Chairperson and members of the Management Board have sufficient knowledge, skills and experience to effectively perform their functions, they have no conflict of interest (including potential) and signs of lack of impeccable business reputation, as well as enough time to perform their functions taking into account the responsibilities of each member of the Management Board of the Bank.

The results verify that the Chairperson and members of the Board of the legislation of Ukraine the requirements made by the Bank in December 2024:

1. The Chairperson and members of the Management Board of the Bank have higher education and significant experience in the financial sector, make informed decisions, which indicates their competence and efficiency, which is confirmed by the results of the Bank's activities during the reporting year;
2. The Chairperson and members of the Management Board of the Bank shall meet the requirements of the current legislation of Ukraine, as well as the qualification requirements for professional suitability and business reputation during the entire period of holding the relevant positions;
3. The Chairperson and members of the Management Board of the Bank don't have the citizenship of the country that conducts the armed aggression against Ukraine;
4. Facts of acquisition by the Chairman and members of the Management Board of the Bank directly and/or indirectly, independently or jointly with other persons, of a share in a legal entity that is registered or is a tax resident or is located in the aggressor state and/or has a separate division in the aggressor state and/or holding a position and/or being in an employment relationship and/or rendering services to a legal entity under a civil law contract, a person holds a position in the management body of a legal entity that owns directly and/or indirectly a share in a legal entity that is

registered or is a tax resident or is located in the aggressor state and/or has a separate division in the aggressor state;

5. The Chairman and members of the Supervisory Board are not members of the Management Board of the Bank;
6. The Chairperson and members of the Management Board are not members of the Supervisory Board of the Bank;
7. The Chairperson and members of the Management Board of the Bank have an impeccable business reputation, are not members or members of the governing bodies of a legal entity that competes with the activities of the Bank;
8. The facts of violation of internal documents by the Chairperson and members of the Management Board of the Bank, which led to damage to the Bank or the Bank's clients, have not been revealed;
9. The facts of application of measures of influence by public authorities to the Chairperson and members of the Management Board were not revealed;
10. The facts of the existence, including potential, of a conflict of interest, which would not have been declared and / or for which appropriate measures would not have been taken, have not been revealed;
11. The facts listed in paragraph 85 of the Regulation on Financial Monitoring regarding the responsible employee for financial monitoring have not been identified.

Remuneration to the members of the Management Board is paid in accordance with the Regulations on Remuneration of the Management Board of the Bank, in the amount in accordance with the decisions of the Supervisory Board of the Bank, as disclosed in the Bank's Annual Financial Statements for 2024 (Note 24 "Administrative and other operating expenses").

In 2024, remuneration to the members of the Management Board (5 persons) was paid in cash in the amount of UAH 20,405 thousand (2023: 4 persons, UAH 12,767 thousand), broken down as follows: variable - UAH 5,467 thousand (2023: UAH 3,708 thousand), fixed - UAH 14,938 thousand (2023: UAH 9,059 thousand), as well as in-kind payments in the form of insurance premiums: under the voluntary liability insurance agreement; under the voluntary medical insurance agreement in the amount of UAH 68 thousand (2023: UAH 68 thousand), and under the non-state pension agreement in the amount of UAH 60 thousand (2023: UAH 48 thousand).

In 2024, no variable remuneration was paid to the members of the Management Board in the form of non-monetary instruments. The remuneration was not postponed and paid on time. There were no facts of the Bank's use of the right to reduce/cancel/refund the variable remuneration previously paid to the members of the management body, influential persons.

The imperfections in the terms of the remuneration regulations identified by the National Bank of Ukraine were taken into account and improved in accordance with the recommendations provided by the National Bank of Ukraine.

The main performance evaluation criteria used to calculate the variable part of the remuneration are as follows: professional and business qualities, performance results, complexity of tasks performed and in progress, level of professional experience and organisational responsibility in view of job responsibilities, as well as qualifications, complexity, volume and quality of work performed, and efforts made, participation in the development and implementation of the Bank's mobile application and the implementation and maintenance of the project for the provision of settlement services to

non-bank payment service providers. The following criteria were also taken into account when assessing performance: size, specifics of the Bank's activities, nature and scope of banking and other financial services, risks assumed by the Bank (the Bank's risk profile), level of systemic importance of the Bank and activities of the banking group of which the Bank is a part, compliance/implementation of the Bank's strategy, business plan, budget and risk appetite declaration, financial position of the Bank, performance of the Bank (achievement of planned performance indicators), structural unit and employees, and subject to compliance with the Bank's capital requirements, as well as the sufficiency of the Bank's liquidity level and compliance with other prudential standards of the Bank established in accordance with the current legislation of Ukraine.

The ratio of the average remuneration of a member of the executive body and the board to the average remuneration of the Bank's employees (excluding the members of the Management Board) is 2.57.

The report on remuneration of the Management Board members is attached as a separate document.

There were no facts of violation of internal rules by the Management Board members that caused damage to the Bank or the Bank's customers.

The Management Board Report for 2024 is attached as a separate document.

7.8. RISK MANAGEMENT SYSTEM OF THE BANK.

This block sets out the Issuer's objectives and policies for financial risk management, including policies for ensuring each major type of forecast transaction for which hedging transactions are used, as well as information on the Issuer's exposure to price risk (market risk, interest rate risk of the banking book), credit risk, liquidity risk and/or cash flow risk.

The Bank's risk management system is aimed at ensuring the implementation of business goals in accordance with the Bank's development strategy and increasing its value, optimizing the ratio of potential opportunities and risks, capital size and growth rates of the Bank.

The main tools for achieving these goals are the Bank's comprehensive risk management system, which provides for the coordination of actions of all departments within a single strategy for risk management, approved by the Supervisory Board of the Bank. The formation of a comprehensive system is aimed at maximizing the concentration of risk management functions in the Bank, the continuous process of analysing the situation and environment in which risks arise, and making management decisions to influence the risks themselves and / or the level of vulnerability (exposure) to such risks.

The Bank's risk management system is based on the principles and recommendations of the Basel Committee set by the regulatory authorities.

The distribution of functions and powers in risk management covers all organisational levels and divisions of the Bank. The Bank's risk management structure involves the Supervisory Board, the Management Board, specialised committees, the Risk Management Service, the Chief Risk Officer, the Compliance Service, the Chief Compliance Officer and the Bank's structural units in the risk management process.

General control over the implementation of risk management in the Bank is carried out by the Supervisory Board of the Bank, the implementation of the risk management system is carried out by the Management Board of the Bank.

The Assets and Liabilities Management Committee determines the optimal balance sheet structure, plans financial performance indicators and monitors their performance, considers the cost of funding sources, controls liquidity risk, bank book interest rate risk and market risks.

The Credit Committee manages credit and investment activities and monitors credit risks associated with individual clients and the credit and investment portfolio as a whole.

The Tariff Committee regulates commission revenues and analyses the competitiveness of current tariffs.

The Financial Monitoring Committee ensures the implementation of the Bank's policy on risk management of money laundering / terrorist financing.

The Risk Management Service and the Head of the Risk Management Service (Chief Risk Manager) carry out a quantitative and qualitative assessment of operational risks to which the Bank is exposed or which may arise in the future, monitors the status and amount of risks.

The Compliance Service and the Head of the Compliance Service (Chief Compliance Manager) carry out a quantitative and qualitative assessment of compliance risks to which the Bank is exposed, or which may subsequently arise in its activities, monitors the status and size of risks.

The Bank performs quantitative and qualitative assessment of risks to which the Bank is exposed, or which may arise in the future in its activities, monitors the status and extent of risks, namely:

- credit risk;
- liquidity risk;
- interest rate risk of the banking book;
- market risk;
- operational risk;
- compliance risk;
- other significant risks (reputation, strategic, risk of professional activity in the stock market).

The Bank has approved an internal document that defines the aggregate amount of risk appetite, the types of risks that the Bank will accept or avoid in order to achieve its business goals, and the level of risk appetite for each of them (individual level) - the Risk Appetite Declaration for 2024-2025 (decision of the Supervisory Board, Minutes No. 16 dated 26.12.2024), hereinafter referred to as the Declaration.

The Bank's Declaration reflects:

- the Bank's main approaches to risk management;
- the aggregate level of risk appetite and types of risks that the Bank intends to accept and hold in order to achieve its business goals;
- the maximum level of risk acceptable for the Bank (Risk Capacity), based on available resources (capital and liquidity needs) and taking into account the need to comply with the requirements of the National Bank of Ukraine, obligations to investors, depositors, other creditors and shareholders;
- quantitative and qualitative indicators of the Bank's risk appetite, which are determined taking into account the Bank's compliance with the established regulatory capital and liquidity ratios;
- level of risk appetite for each type of risk (individual level), which is the basis for setting limits, as well as a minimum list of quantitative and qualitative indicators of risk appetite for each type of risk;

- approaches and a list of assumptions used by the Bank in determining risk appetite indicators;
- types of risks that the Bank should avoid;
- internal and external factors and restrictions affecting the Bank's risk taking.

The Bank's Supervisory Board has set an aggregate (total) risk appetite level of 7% of the Bank's regulatory capital, which is consistent with the Bank's business model.

The Internal Audit Service assesses the adequacy of the Bank's risk management systems in relation to the Bank's needs.

The structural divisions of the Bank carry out operational management of risks associated with their activities, according to the established levels of tolerance to risks and limits, and are responsible for the results of the acceptance of these risks. The revision of the risk management system is improved by the Bank on an ongoing basis and timely updating of the internal regulatory framework is provided in case of changes in legislative, regulatory or regulatory requirements, organizational structure of the Bank and changes in the Bank's risk tolerance.

The Bank has not established a revision commission and does not have a controller position.

The Bank does not adopt a separate policy for insurance of each major type of projected transaction, however, the Bank uses the following measures to reduce (minimise/neutralise/mitigate) risks and eliminate negative consequences of risks:

- risk reduction (limitation, diversification, hedging);
- retention of risk (provisioning);
- risk avoidance (refusal to perform transactions).

Significant risk factors that affected the activities of the financial institution during the year:

- Internal:

Weaknesses: small amount of capital; low risk appetite (significantly reduces profitability during the period of systemic reduction of interest rates in the market); limited opportunities to open new direct correspondent accounts; narrow specialisation (limits the ability to offer comprehensive customer service); lack of established mechanisms for attracting new customers; underutilisation of the Bank's production capacity due to lack of transaction volumes; growth of CIR; the Bank's brand is used by the paid media to discredit the founders.

Strengths: Bank of the XXI century (by its philosophy); high quality assets; narrow specialisation (MM, FX, FI); high liquidity and capital adequacy ratios; well-known brand of the Bank's owner, its success story and excellent business reputation; state-of-the-art IT and information security architecture; international certificates of compliance of the quality management system and information security management system; availability of a full range of necessary licences for banking, foreign exchange and securities transactions, optimal organisational structure and high operational efficiency; low risk appetite (improves the quality of assets and reliability of the Bank as a whole); low CIR value; the ability to attract new customers through a new sales channel – a mobile application; highly professional staff.

- External:

Threats: political and economic instability; military aggression by the Russian Federation; inability of some borrowers to service their loans; deterioration of payment discipline due to the suspension of operations of many enterprises; loss of income sources by individuals (including refugees), forced change of residence of

millions of Ukrainian citizens; imperfection of the country's judicial system; frequent changes in the legislation on regulation of banking activities; decrease in the level of yield of government bonds may lead to the introduction of new products that, in addition to higher yield, will have a higher level of risk; decline in business activity of customers and potential counterparties against the background of military aggression by the Russian Federation; obstruction of business activity due to possible blackouts caused by attacks on the energy system; artificial deterioration of the Bank's business reputation by paid media against the background of an imperfect judicial system may limit the Bank's ability to expand business relations.

Opportunities: a "niche" in the banking services market free from competitors (especially in terms of currency forwards, operations with government bonds, etc.); use of all opportunities provided by the existing licences; established long-term business relations with clients and counterparty banks; successful operations throughout the entire period of its existence strengthen the Bank's credibility; development of digital technologies and transition to electronic document management increase the speed and reliability of the Bank's services and their competitiveness; transactional nature of the business allows the development of high-tech products; synergistic effect of cooperation with the ICU Group broker on transactions with government bonds of private investors.

7.9. SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT OF THE ISSUER.

The Bank has built an effective system of internal control (hereinafter - the system of internal control or SIC) and risk management of the issuer, which consists of:

- process integration (introduction of control into processes);
- risk assessment on a regular basis;
- development and implementation of measures, with further evaluation of their effectiveness.

The main principles of the Bank's internal control system are:

- efficiency and effectiveness - is the organization of an ongoing process implemented in the current activities of the Bank and understandable at all levels of the Bank;
- early risk prevention is to ensure effective risk management;
- segregation of duties aimed at avoiding situations where a single individual has full control over a function or business line of the Bank (separation of the control function from the Bank's operations);
- comprehensiveness, covering all areas of the Bank's activities;
- timeliness, which is the establishment of the SIC, which provides an opportunity to obtain information about the threat of losses of the Bank before such losses are incurred;
- independence, which consists in the separation of the functions of evaluating the effectiveness of the SIC and the functions of its organization and implementation.
- confidentiality - preventing the disclosure of information to persons who do not have the authority to obtain it.

For effective implementation of the Bank's activities, continuous control is established over:

- compliance with the legislation, regulations and standards of professional activity by the Bank's employees;
- prevention of conflicts of interest;
- ensuring an appropriate level of reliability, which corresponds to the nature and scale of the Bank's operations and minimization of banking risks.

The subjects of the Bank's internal control system are:

- Supervisory Board of the Bank;
- Management Board of the Bank;
- Internal Audit Service;
- Head of Risk Management Service (Chief Risk Manager) and Risk Management Service;
- Head of the Compliance Service (Chief Compliance Manager) and the Compliance Service;
- Chief Accountant and his deputies (if any);
- Heads and employees of the Bank's divisions (Services) who exercise internal control in accordance with the powers defined by the Bank's internal documents (regulations, technological maps, regulations, job descriptions, regulations on structural / separate divisions of the Bank, decisions of collegial bodies and Bank management).

The structure of the Bank's internal control system includes:

- Risk identification and assessment, which includes the identification and analysis of significant risks in order to identify control measures/procedures for risk management.
- Control measures/control procedures - actions necessary to minimize risks (determined by the Bank's internal documents). The Bank's control measures operate at all organizational levels, in the performance of any functions of the Supervisory Board, the Bank's Management Board, managers and employees of the Services.
- Information / reporting and communication - information on identified risks must be documented and transmitted in a timely manner:
 - To the Supervisory Board and the Management Board of the Bank for making management decisions;
 - To subdivisions/authorized employees of the Bank responsible for risk minimization and control to improve the system of internal control and control procedures, staff training, control procedures, drawing conclusions and proposals to the Bank's management to improve control.
- Monitoring, which will allow to assess the quality and effectiveness of the internal control system.

The Bank implements the functioning of the internal control system by:

- control of the Bank's management (Supervisory Board and Management Board of the Bank) over compliance with the legislation of Ukraine and the Bank's internal procedures (compliance);
- distribution of responsibilities in carrying out the Bank's activities;
- control over the functioning of the risk management system;
- control over information security and information exchange;
- introduction of internal control procedures;
- monitoring the effectiveness of the SIC;
- introduction of internal audit procedures.

The organizational structure of the Bank is structured in such a way as to clearly define the duties, powers, functions and responsibilities in the areas of conducting, evaluating and managing internal control provided for in the regulations on the Bank's governing bodies, divisions and job descriptions.

The Management Board of the Bank ensures the development of regulations on all structural divisions of the Bank and submits them for approval to the Supervisory Board of the Bank.

The Chairperson of the Management Board of the Bank ensures the development and approval of job descriptions for all employees of the Bank, while providing a full description of all functions, tasks and responsibilities of employees.

Regulations governing the implementation of processes/operations of the Bank, regulations, banking products, as well as descriptions of all processes of the Bank with technological maps determine the distribution of responsibilities during the implementation of processes/operations of the Bank, including on the implementation of internal control.

The Management Board of the Bank implements internal control procedures in all areas of the Bank's activity, in all processes and at all levels, including thanks to staff training in the basics and rules of building a system of internal control and risk management, including compliance, information security and financial monitoring.

The Bank implements and maintains a process of independent assessment of the adequacy of internal control through the introduction of internal audit procedures.

The Bank has introduced a management information system and a reporting system for internal control and risk management.

Processes of control over the functioning of the internal control system include periodic review of the results of monitoring the effectiveness of the internal control system (at least once a quarter) by the Bank's management - the Board and the Supervisory Board of the Bank (including but not limited to risk management and exchange of information, in compliance with the legislation of Ukraine and the internal procedures of the Bank/compliance).

The Bank has the following forms of control:

- **Preliminary control** - is carried out before the Bank's operations;
- **Current control** - is carried out during the Bank's operations and includes control over compliance with legislation, internal documents of the Bank on the implementation of these operations, the correctness of data in the Bank's software, the procedure for deciding on their implementation, control over complete, timely and reliable reflection of operations in accounting and reporting, control over the preservation of the Bank's assets.
- **Further control**, which is carried out after the Bank's operations and consists in checking the validity and correctness of operations, compliance of documents with the established forms and requirements for their execution, compliance of employees with their job descriptions, identification of causes and deficiencies and identification of measures. elimination, control over the implementation of planned performance indicators defined in the Bank's development strategy, its business plans and budget, verification of completeness and reliability of financial, statistical, management, tax and other reporting data generated by the Bank.
- **Internal audit control** - conducting a scheduled audit by the Internal Audit Service to independently assess and control the effectiveness of the internal control system, the implemented system of management and control of banking risks, as well as the quality of process organization, operations by process participants, etc.

The Bank has implemented a three-tier system of internal control:

The first level - heads and employees of the Bank's divisions (control over daily operations), including the Bank's Management Board and its profile committees;

The second level - Risk Management Service and Compliance Service (when creating a system for monitoring the effectiveness of internal control systems and verification within the internal control monitoring system)

The third level - Internal Audit Service (periodic inspections of the Bank's activities and assessment of the effectiveness of internal control systems).

7.10. THE QUALITY MANAGEMENT SYSTEM.

The Bank regularly analyses the Quality Management System (hereinafter referred to as «QMS») in accordance with the requirements of the Regulations on the Quality Management System of JSC BANK AVANGARD. During the analysis are considered:

- status of actions based on the results of the preliminary QMS analysis;
- changes in external and internal factors for the reporting period related to QMS;
- information on the effectiveness of QMS, taking into account:
 - customer satisfaction, which is assessed monthly by compiling customer ratings on various indicators;
 - the degree of achievement of QMS goals for the reporting period;
 - effectiveness of processes and compliance of banking products, which are based on the conclusions of users on the quality and timeliness of management reporting;
 - discrepancies were identified and corrective actions were applied, which were recorded in the reports on the results of further control of the internal control system, incident database;
 - results of monitoring and measurement of QMS, which are recorded in the reports on the results of further control of the internal control system;
 - results of audits (inspections);
 - effectiveness of external service providers
- adequacy of resources to ensure the functioning and development of QMS;
- assessment of the effectiveness of controls determined by the results of non-financial risk assessment;
- results of monthly credit and liquidity risk assessments;
- results of quarterly stress testing of all types of risks;
- opportunities to improve the quality of the Bank's processes and products.

According to the results of the analysis of the Quality Management System for 2024 it is established:

- organization and functioning of QMS of JSC "BANK AVANGARD" do not require any significant changes;
- availability of QMS resources is at a sufficient level;
- areas of QMS improvement can be identified:
 - further introduction of automation of transactions and reduction of processing time of client payment orders;
 - spreading the use of electronic document management in banking products;
 - introduction of feedback mechanisms for external and internal clients of the Bank's processes;
 - introduction of additional controls over the processes in which the realized risk was recorded.

- conducting external training to study the requirements of ISO 19011

7.11. INTERNAL AUDIT SERVICE.

The Internal Audit Service is an independent structural subdivision of the Bank, is a component of the internal control system and is subordinated to and accountable to the Supervisory Board of the Bank. As of 01.01.2025, the division of the Internal Audit Service has 2 employees, including the Head of the Internal Audit Service.

In 2024, the Internal Audit Service carried out the following work:

- Conducting inspections in accordance with the approved Audit Plan for 2024;
- Support of external audit to confirm the annual financial statements in accordance with international standards (AC CROWE UKRAINE, LLC);
- Preparation of quarterly reports to the Management Board and the Supervisory Board;
- Incident database monitoring;
- Other current work.

In 2024, the Internal Audit Service conducted thematic inspections in accordance with the annual plan approved by the Supervisory Board. All scheduled inspections have been performed. During the audit assignments, increased attention was given to the effectiveness of the internal control system and banking operations, in the implementation of which the Bank may be exposed to significant risks.

Based on the results of audits performed in 2024, several recommendations were made. An Action Plan was drawn up and approved to implement the recommendations provided by the Bank's Internal Audit Service. As of the date of this report, all recommendations have been implemented in accordance with the established deadlines.

The Bank's internal regulations governing internal audit procedures meet the requirements of the NBU regulations, in particular, the Resolution of the National Bank of Ukraine № 311 of May 10, 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 documents and the requirements of the NBU regulations.

7.12. EXTERNAL AUDITOR OF THE BANK.

By the decision of the Bank's Supervisory Board (Decision No. 13 dated 04.10.2024), the external auditor, the audit firm - AC «CROWE UKRAINE» LLC, was selected to provide services for the confirmation of the Bank's financial statements for 2024. General information on AC «CROWE UKRAINE» LLC:

- total experience of auditing activities - more than 15 years;
- number of years during which AC «CROWE UKRAINE» LLC provides audit services to the Bank – 5th year;
- there were no cases of conflict of interest and / or combination of internal auditor functions during the period of cooperation with the Bank.
- there were no penalties applied to AC «CROWE UKRAINE» LLC by the Audit Chamber of Ukraine during the year and the facts of submission of inaccurate reports of the

financial institution, confirmed by the audit opinion, revealed by the bodies that carry out state regulation of financial services markets;

- there were no recommendations of the bodies that carry out state regulation of financial services markets regarding the audit opinion.

During 2024, AC «CROWE UKRAINE» LLC did not provide any other services to the Bank.

7.13. MAIN PRINCIPLES OF THE ISSUER'S INFORMATION DISCLOSURE POLICY.

The Bank shall disclose regular and special information about the Bank as an issuer in the form, to the extent and within the time limits established by the current legislation of Ukraine, including regulations of the National Securities and Stock Market Commission, including by:

- 1) posting it on the website of a capital markets participant and/or a professional participant of organised commodity markets;
- 2) submitting it to the National Securities and Stock Market Commission.

Regular information about the issuer is annual and interim reporting information on the results of the issuer's financial and economic activities, which is disclosed in the capital markets and organised commodity markets, including by submitting it to the National Securities and Stock Market Commission.

The reporting period for preparing annual information on the issuer is a calendar year. Annual information about the issuer is regulated information and must be disclosed by the issuer no later than 30 April of the year following the reporting year. The annual information on the issuer is posted on the Bank's official website and is publicly available for at least 10 years after its disclosure.

The reporting period for the preparation of interim issuer information is a quarter. Interim issuer information is prepared as of the end of the last day of the quarter. Interim information about the issuer is regulated information and must be disclosed by the issuer no later than the last day of the month following the reporting month, except for interim consolidated financial statements, which must be disclosed no later than the last day of the second month following the reporting month. Interim information about the issuer shall be posted on the Bank's official website and shall be publicly available for at least 10 years after its disclosure.

Terms, procedure and forms of disclosure of special information about the issuer and additional information contained in such information are established by the National Securities and Stock Market Commission.

7.14. CORPORATE SECRETARY.

The Corporate Secretary is an officer responsible for implementation of high standards of corporate governance in the Bank's activities, effective current interaction of the Bank with shareholders and other investors, maintaining effective work of the Supervisory Board and the General Meeting of the Bank, ensuring effective cooperation between the Bank, the Supervisory Board and the Bank's shareholders, as well as performing other functions in accordance with the laws of Ukraine and the Bank's Charter.

The activities of the Corporate Secretary shall be controlled and regulated by the Supervisory Board of the Bank in accordance with the laws of Ukraine, the Bank's Charter, the Regulation on the Supervisory Board and this Regulation.

The Corporate Secretary shall be subordinate to the Supervisory Board and shall be independent in the performance of his/her functions: he/she may not be a member of any governing bodies of the Bank or related to the Bank, except for the performance of the functions of the Corporate Secretary.

An employment or civil law contract shall be concluded with the Corporate Secretary, which may be exclusively paid. The terms of such agreement shall be approved by the Supervisory Board of the Bank. The agreement shall be signed on behalf of the Bank by a person authorised by the Supervisory Board of the Bank.

The Supervisory Board of the Bank exercises the powers to control and regulate the activities of the Corporate Secretary by:

- 1) approval of the Regulations on the Corporate Secretary;
- 2) election of the Corporate Secretary;
- 3) entering into an employment or civil law agreement on behalf of the Bank with the person elected to the position of the Corporate Secretary;
- 4) issuing direct oral and written orders for the Corporate Secretary to perform his/her duties;
- 5) deciding on the termination of powers and termination of the contract with the Corporate Secretary in case of non-performance or improper performance of his/her duties.

The election and termination of powers of the Corporate Secretary shall be carried out by the Supervisory Board of the Bank. The term of office of the Corporate Secretary shall be determined by resolution of the Supervisory Board. If such term is not determined by the resolution of the Supervisory Board or the Bank's Charter, the term of office of the Corporate Secretary shall be established until its termination in accordance with the resolution of the Supervisory Board. The same person may be elected as the Corporate Secretary more than once.

The powers of the Corporate Secretary shall be effective from the date of his/her appointment and shall be terminated from the date of appointment of a new Corporate Secretary or from the date of termination of the powers of the Corporate Secretary in cases provided for by the Regulation on the Corporate Secretary and the current legislation of Ukraine.

A person elected to the position of the Corporate Secretary shall meet the requirements for professional suitability, business reputation, conflict of interest and independence of the Corporate Secretary.

Requirements for professional suitability of the Corporate Secretary. The professional suitability of the Corporate Secretary is defined as a set of personal qualities/competencies, knowledge, professional and managerial experience of a person necessary for the proper performance of official duties, taking into account the specifics of the Bank's activities.

The Corporate Secretary shall:

- 1) have higher education of at least the first level (bachelor's degree). Higher education in Law, Economics, Management, Finance, Banking, Insurance and Stock Market is recommended;
- 2) have special knowledge and skills in the field of corporate law and governance;
- 3) maintain a sufficient level of knowledge and professional fitness on an ongoing basis;

4) have at least three years of experience in a business company in a position that involves supporting the activities of a business company or other business entity in the specialities specified in subclause 1 above experience in legal support in the field of corporate governance, in particular on the basis of a civil law contract or as a member of the management bodies of a business company, or in companies and/or institutions participating in capital markets or other financial markets, or in state bodies - regulators of capital markets and other states;

5) be able to devote sufficient time to the performance of his/her duties.

The following documents may be submitted to confirm the professional suitability of the Corporate Secretary and compliance with other requirements: employment record book/electronic employment record book, diplomas, certificates, certificates of qualification, other documents obtained at previous places of work and in the process of professional development.

The Corporate Secretary should have the following knowledge and ability to apply:

- 1) Ukrainian legislation in the field of corporate law and governance;
- 2) The Bank's Corporate Governance Code.

Requirements to business reputation, conflict of interest and independence of the Corporate Secretary. The business reputation of the Corporate Secretary of the Bank is a set of documented information about an individual, which allows to conclude that his/her activities comply with the requirements of the law, business practice, professional ethics, as well as the integrity, professional and managerial abilities of an individual.

The person holding the position of the Corporate Secretary of the Bank shall not have an outstanding or unspent conviction for criminal offences against property, crimes in the field of official or economic activity; and shall meet the requirements and restrictions established by Articles 88 - 90 of the Law of Ukraine 'On Joint Stock Companies' for officials of joint stock company bodies.

In addition, the business reputation of the Corporate Secretary of the Bank must meet the following requirements:

- 1) the person's business reputation is impeccable within the meaning of the Law of Ukraine "'On Prevention and Counteraction to Legalisation (Laundering) of Criminal Proceeds, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction";
- 2) the person has not violated the requirements of banking, financial, currency legislation, legislation on financial monitoring, legislation on capital markets and organised commodity markets, legislation on joint stock companies, legislation on consumer protection established in accordance with the procedure established by law, for which there are appropriate penalties;
- 3) the person is not deprived, in accordance with the procedure established by law, of the right to hold certain positions or engage in certain activities (the person is considered not to be deprived of the right to hold certain positions or engage in certain activities after the expiration of the period for which the deprivation of the said right was carried out).

The presence of signs of non-compliance with the requirements specified above is established for the last five calendar years preceding the assessment of the person's business reputation, unless another period of validity of the sign is established in the content of the signs themselves specified above.

The Corporate Secretary shall not have a conflict of interest within the meaning of the Law of Ukraine "On Joint Stock Companies" or have the possibility to resolve such a conflict of interest in accordance with the procedure provided for in Section V of the Law of Ukraine "On Prevention of Corruption".

The National Bank of Ukraine has the right to establish additional requirements for the corporate secretary of a bank.

All information on the compliance of the candidate for the position of Corporate Secretary with the Decision of the National Securities and Stock Market Commission No. 1089 dated 28.09.2023 "On Approval of the Requirements for the Corporate Secretary of a Joint Stock Company" and the Regulation on the Corporate Secretary shall be reviewed by the Nomination and Remuneration Committee of the Bank's Supervisory Board upon appointment or re-election to the position of the Corporate Secretary of the Bank and taken into account by the Supervisory Board when making the relevant decision. In case of election of the Corporate Secretary for an unlimited term, the Nomination and Remuneration Committee of the Bank's Supervisory Board annually, in accordance with the procedure provided for by the Bank's internal documents on verification of compliance of the Bank's managers with the requirements established by the legislation of Ukraine, checks the Corporate Secretary for compliance with the Requirements and Regulations on the Corporate Secretary, and reports the results to the Bank's Supervisory Board.

Procedure for the Supervisory Board of the Bank to verify the eligibility of a candidate for the position of the Corporate Secretary. The Supervisory Board shall consider the proposal for the Corporate Secretary, the results of verification of information on the compliance of the candidate for the position of Corporate Secretary with the Nomination and Remuneration Committee of the Supervisory Board of the Bank, as well as its recommendations on the appointment of a person to the position and, if necessary, organise a re-verification of the information provided, conduct preliminary negotiations with the candidate on the performance of the functions of the Corporate Secretary.

The decision to elect and terminate the powers of the Corporate Secretary shall be made by the Supervisory Board by a simple majority of votes in accordance with the procedure provided for by the Charter and the Regulations on the Supervisory Board.

The powers of the Corporate Secretary may be terminated by the Supervisory Board at any time and for any reason, or the Corporate Secretary may be temporarily suspended from exercising his/her powers. The decision of the Supervisory Board to terminate the powers of the Corporate Secretary shall be the basis for termination of the agreement concluded with the Corporate Secretary. The resolution on termination of powers shall set out the grounds for termination of powers of the Corporate Secretary.

Without a resolution of the Supervisory Board, the powers of the Corporate Secretary shall be terminated early:

- 1) at his/her request, subject to two weeks' written notice to the Bank;
- 2) in case of inability to perform the duties of the Corporate Secretary for health reasons;
- 3) in case of entry into force of a verdict or court decision by which he/she is sentenced to punishment that excludes the possibility of performing the duties of the Corporate Secretary;
- 4) in the event of death, recognition as incapacitated, partially incapacitated, missing or deceased;
- 5) in other cases, provided for by the Bank's Charter and/or applicable laws of the Bank.

No other official of the Bank may be the Corporate Secretary.

The competence of the Corporate Secretary shall include:

- 1) ensuring compliance of the corporate governance system, the Charter and internal documents of the Bank with the best corporate governance practices and requirements of the legislation of Ukraine; providing the Bank's bodies with conclusions and developing proposals for improving corporate governance, bringing the Bank's internal documents and procedures in line with the Corporate Governance Code and requirements of the legislation of Ukraine;
- 2) providing information to shareholders and/or investors, other interested parties on the Bank's activities, as well as providing the Bank's Charter, internal regulations (including amendments thereto), other documents, in cases provided for by the laws of Ukraine, for review by persons entitled to do so in accordance with the laws of Ukraine;
- 3) cooperate with the Chairman of the Supervisory Board, assist the Supervisory Board, committees of the Supervisory Board in performing their duties by acting as a secretary, providing assistance and advice, providing all resources necessary for the performance of their functions;
- 4) developing, amending and submitting for consideration and approval by the Supervisory Board the annual plan of meetings of the Supervisory Board;
- 5) ensuring preparation, convening and holding of the General Meeting, performing the functions of the Secretary of the General Meeting and drawing up the minutes of the General Meeting;
- 6) preparing and holding meetings of the Supervisory Board, Supervisory Board Committees, acting as the Secretary of the Supervisory Board/Supervisory Board Committees, drafting minutes/decisions of the Supervisory Board/Supervisory Board Committees;
- 7) organising the process of self-assessment of the Supervisory Board and its members, preparing questionnaires, providing information on the results of self-assessment to the Supervisory Board;
- 8) ensuring compliance with the procedures for assessing professional suitability and business reputation of the Bank's managers, including members of the Management Board and the Supervisory Board, and individual employees of the Bank, as well as with the requirements for collective suitability;
- 9) developing, approving and submitting for approval the regulations on remuneration of the Supervisory Board and its annual review, organising compliance with the requirements for reporting on remuneration of the Supervisory Board, the Management Board, and the Bank's key executives;
- 10) providing advisory and practical assistance to the Bank's shareholders, including explaining to shareholders their rights, reviewing shareholders' requests; organising work with the Bank's shareholders on the issue of shares, formation and accounting of the Bank's share capital, transactions with the Bank's shares, payment of dividends, etc;
- 11) organising preparation of the Bank's public information and ensuring its publication on the Bank's own website, special and regular information;
- 12) taking measures within its competence to prevent corporate conflicts;
- 13) participate in preparation or draft explanations for shareholders or investors regarding the exercise of their rights, respond to shareholders' or investors' requests;
- 14) prepare extracts from the minutes of the meetings of the Supervisory Board and the General Meeting of the Bank and certify them;

15) reporting to the Supervisory Board on the results of its activities;

16) perform other functions provided for by the applicable laws and the Bank's Charter.

The Corporate Secretary shall have the right of access to any documents of the Bank within their competence.

The Corporate Secretary shall independently organise his/her work in accordance with the plans and current tasks.

The Supervisory Board may appoint a person to temporarily perform the duties of the Corporate Secretary in case of his/her temporary absence (business trip, leave, temporary disability, etc).

The Corporate Secretary Khodak O.Y. was elected (appointed) by the Supervisory Board of the Bank for the position from 27.07.2023 (Resolution of the Supervisory Board of the Bank No. 4 dated 13.07.2023). The Corporate Secretary is an officer of the Bank, is not a member of any governing bodies of the Bank, and is not affiliated with the Bank, except for the performance of the functions of the Corporate Secretary.

Report of the corporate secretary

- On the performance of tasks and duties by the corporate secretary:

During 2024, the Corporate Secretary:

1) ensured compliance of the corporate governance system, the Charter and internal documents of the Bank with the best corporate governance practices and requirements of the legislation of Ukraine;

2) provided information to interested parties on the Bank's activities;

3) cooperated with the Chairman of the Supervisory Board, assisted the Supervisory Board and Supervisory Board committees in performing their duties by acting as secretary, provided assistance and advice, and provided all resources necessary to perform their functions;

4) ensure preparation and drafting of resolutions of the Bank's sole shareholder;

5) ensured the development, amendment and submission of the annual plan of meetings of the Supervisory Board for consideration and approval by the Supervisory Board;

6) prepared and held meetings of the Supervisory Board, Supervisory Board Committees, acted as the Secretary of the Supervisory Board/Committees of the Supervisory Board, drafted minutes/decisions of the meetings of the Supervisory Board/Committees of the Supervisory Board;

7) ensure organisation of the process of self-assessment of the Supervisory Board and its members, preparation of questionnaires, provision of information on the results of self-assessment to the Supervisory Board;

8) ensure compliance with the procedures for assessing the professional suitability and business reputation of the Bank's managers, including members of the Management Board and the Supervisory Board, and individual employees of the Bank, as well as the requirements for collective suitability;

9) developed, approved and submitted for approval the Regulation on Remuneration of the Supervisory Board and its annual review, organised compliance with the requirements for reporting on remuneration of the Supervisory Board, the Management Board, and the Bank's influential persons;

10) participated in the preparation of the Bank's public information published on the Bank's website, special and regular information;

14) prepare extracts from the minutes of the Supervisory Board meetings and certify them;

15) report to the Supervisory Board on the results of his/her activities;

16) perform other functions provided for by the applicable laws and the Bank's Charter.

- On compliance by the Bank's management bodies with internal corporate procedures:

In 2024, the Bank's governing bodies complied with the Bank's internal corporate procedures and the Bank's Corporate Governance Code.

The Bank's governing bodies ensured:

- adherence to transparent decision-making rules and procedures,
- adherence to the principles of effective management and proper reporting and internal control systems,
- increasing the value of the Bank's assets, maintaining financial stability and profitability.

The Management Board ensured that the Bank's activities complied with the requirements of the legislation, decisions of the sole shareholder and the Supervisory Board of the Bank.

The Bank's managers adhered to the duties of care and loyalty to the Bank in accordance with the laws of Ukraine, sought to achieve financial transparency of the Bank and improve the efficiency of the Supervisory Board and the Management Board.

- On the Bank's compliance with the requirements of the legislation on disclosure of information as an issuer of securities:

In accordance with the requirements of the Regulation on Disclosure of Information by Issuers of Securities and Persons Providing Security for Such Securities, approved by the decision of the NSSMC dated 06.06.2023 No. 608 (hereinafter - the NSSMC Regulation No. 608), the Bank ensured timely disclosure of regular and special information of the Bank, namely:

1. Regular (interim) information of the Bank:

- Interim information of JSC "BANK AVANGARD" for the 4th quarter of 2024 (date of publication 31.01.2025, date of registration of the electronic document by the person 31.01.2025, original registration number of the electronic document No. 1);
- Interim information of JSC "BANK AVANGARD" for the 3rd quarter of 2024 (date of publication 31.10.2024, date of registration of the electronic document by the person 31.10.2024, original registration number of the electronic document No. 1);
- Interim information of JSC "BANK AVANGARD" for the 2nd quarter of 2024 (date of publication 31.07.2024, date of registration of the electronic document by the person 31.07.2024, original registration number of the electronic document No. 1);
- Interim information of JSC "BANK AVANGARD" for the 1st quarter of 2024 (date of publication 22.07.2024, date of registration of the electronic document by the person 22.07.2024, original registration number of the electronic document No. 1);

Regular (interim) information was published on the Bank's official website and submitted to the NSSMC in accordance with the procedure established by law.

2. Special information of the Bank:

- Special information / information on mortgage securities / certificates of the issuer's real estate fund (DATA on the emergence and/or termination of relations with a foreign state of the risk zone) (date of registration of the electronic document by the issuer 19.11.2024, original registration number of the electronic document No. 1);
- Special information / information on mortgage securities / certificates of the issuer's real estate fund (DATA on changes in the composition of the issuer's officials) (date of registration of the electronic document by the issuer 31.10.2024, original registration number of the electronic document No. 2);
- Special information / information on mortgage securities / certificates of the issuer's real estate fund (DATA on the emergence and/or termination of relations with a foreign state of the risk zone) (date of registration of the electronic document by the issuer 12.09.2024, original registration number of the electronic document No. 1);
- Special information / information on mortgage securities / certificates of the issuer's real estate fund (information on the number of voting shares and the amount of the authorised capital as a result of its increase or decrease) (date of registration of the electronic document by the issuer 30.07.2024, original registration number of the electronic document No. 1);
- Special information / information on mortgage securities / certificates of the issuer's real estate fund (DATA on the emergence and/or termination of relations with a foreign state of the risk zone) (date of registration of the electronic document by the issuer 10.07.2024, original registration number of the electronic document No. 1);
- Special information / information on mortgage securities / certificates of the issuer's real estate fund (INFORMATION on approval of the report on remuneration of members of the supervisory board and/or report on remuneration of members of the executive body) (date of registration of the electronic document by the issuer 27.03.2024, original registration number of the electronic document No. 1).
- Special information (information on mortgage securities, certificates of the real estate fund) of the issuer (Data on changes in the composition of the issuer's officials) (date of registration of the electronic document by the issuer 12.01.2024, original registration number of the electronic document No. 1).

Special information was published on the Bank's official website and submitted to the NSSMC in accordance with the procedure established by law.

- On development or amendment of internal documents regulating the Bank's activities:
- Regulations on the Management Board of JOINT STOCK COMPANY "BANK AVANGARD" (decision No. 16 of 26.12.2024) and Regulations on the Corporate Secretary of JOINT STOCK COMPANY "BANK AVANGARD" (decision of the SB No. 14 of 30.10.2024).).
- Other:

1. During 2024, the sole shareholder of the Bank, WESTAL HOLDINGS LTD, made 1 decision.
2. In 2024, 8 meetings of the Supervisory Board were held, including joint meetings with the Management Board, and 16 decisions were made between meetings of the Supervisory Board without convening meetings by absentee voting (survey) of the Supervisory Board members.
3. Processing of incoming correspondence from the National Bank of Ukraine, the National Securities and Stock Market Commission, and the Deposit Guarantee Fund, preparation of draft responses and memos to support the Bank's operations.
4. The Bank's official website contains the following information in the section entitled "Information for Shareholders and Stakeholders", which is disclosed in accordance with the requirements of the NSSMC Regulation No. 608.

7.15. SIGNIFICANT TRANSACTIONS.

By the Shareholder's resolution dated 21.12.2023, it is allowed from 01.01.2024 and until the Shareholder makes another decision canceling or changing the decision regarding the first issue of this Shareholder's decision:

a. to enter into the significant transactions (deals) each in the amount of up to UAH 500 million (inclusive) regarding the: purchase/sale/exchange and repo transactions of government securities of Ukraine, as well as foreign securities whose foreign issuers have an official rating not lower than investment grade; conducting operations of purchase / sale of foreign currency; raising funds on the interbank market; raising funds from clients, as well as carrying out credit operations that are fully secured by cash coverage and / or pledge of property rights to cash deposit in the Bank. When conducting active operations, the Bank is obliged to comply with the single counterparty outstanding limit (mandatory economic ratio N7, set by the National Bank of Ukraine) during both external settlements and the term of this operation validity, except for transactions under agreements that provide for advance payments in favor of the Bank. These restrictions do not apply to operations on the transfer of funds between the Bank's own correspondent accounts (NOSTRO accounts) in correspondent banks, the amount (limits) of balances for which are defined by a separate decision determining the limit of the balance on the correspondent accounts.

The decision in this paragraph does not apply to transactions / operations with the National Bank of Ukraine.

b. To allow the Bank to enter into significant transactions (deals) with National Bank of Ukraine each in the amount of up to UAH 10 000 million (inclusive) regarding: conducting of active operations related to credit risk with the National Bank of Ukraine, including, but not limited to, transactions of purchase / sale of certificates of deposit of the National Bank of Ukraine, as well as operations on obtaining refinancing loans from the National Bank of Ukraine (including overnight) in accordance with the General Loan Agreement with the National Bank of Ukraine and interest rate swap transactions in accordance with the General Agreement on interest rate swap transactions with the National Bank of Ukraine, concluded in accordance with the Shareholder's decisions, which remain in force and continue to be valid.

7.16. RELATIONS WITH SHAREHOLDERS AND RELATED PARTIES, THE IMPACT OF THESE RELATIONS ON THE PERFORMANCE RESULTS AND THEIR MANAGEMENT.

During 2024, the Bank conducted transactions with related parties on general terms and conditions. Transactions with related parties are mainly of a resource nature.

The Bank did not have any lending transactions with the Bank's shareholders and owners of significant interest in the Bank.

At the beginning of 2023, the Bank repaid a loan from a shareholder for banking activities, and the credit limit agreement will last until 2025, which provides the Bank with additional financial stability. In addition, the Bank received confirmation of the shareholder's support for the Bank in case of need.

Information on transactions with related parties, balances on transactions with related parties for 2024, income and expenses on transactions with related parties for 2024, the total amount of loans granted to and repaid by related parties during 2024, as well as other rights and obligations on transactions with related parties as at the end of the reporting period for 2024 is provided in the Bank's Annual Financial Statements for 2024.

7.17. PROTECTION OF THE FINANCIAL SERVICE CONSUMERS' RIGHTS BY THE BANK.

The Bank protects the rights of consumers of the Bank's services in accordance with the current legislation of Ukraine, including the Law of Ukraine "On Financial Services and Financial Companies" and the Law of Ukraine "On Consumer Lending".

The Client has the opportunity to apply to the Bank with comments, complaints and suggestions related to the Bank's activities, as well as with an application or petition concerning the exercise of their rights and legitimate interests, or with a complaint about their violation, either by postal operator or by submitting it in person, providing a detailed description of the subject of the request.

Each message must be checked and answered.

The appeal may be submitted in writing or orally.

The written appeal must meet the requirements of the Law of Ukraine "On Citizens' Appeals" (hereinafter - the Law). The application must state:

- full name;
- place of residence of the applicant;
- the essence of the raised question;
- remarks, suggestions, statements or complaints, requests or demands.

The written application must be signed by the applicant (applicants) indicating the date.

A written request shall be sent by mail or transmitted to the Bank in person or through an authorized person whose powers are executed in accordance with the law.

Address for written appeals: 04116, Kyiv, Ukraine, st. Sholudenka 3, office 202

The client can send an application by e-mail to the address: info@avgd.ua or hotline@avgd.ua.

The electronic application, in addition to other requirements established by the Law, must also indicate the e-mail address to which the applicant may be sent a response, or information about other means of communication. The use of an electronic digital signature when sending an electronic application is not required. An application filed without complying with the requirements of the Law shall be returned to the applicant with the relevant explanations no later than ten days from the date of its receipt.

The form of the written request, which is sent by mail / is sent in electronic form, is posted on the official website of the Bank, as well as in a place accessible to the Bank's premises.

An appeal made without complying with the requirements specified in the paragraphs set forth above is returned to the applicant with the relevant explanations no later than ten days from the date of its receipt.

The appeal shall be accompanied by the applicant's decisions or copies of the decisions made on his / her appeal before, as well as other documents necessary for consideration of the appeal, which shall be returned to the applicant after its consideration.

The oral appeal is presented at a personal reception or by telephone through certain contacts of the Bank and is recorded (registered) by an authorized official of the Bank.

When making an oral appeal for further effective and timely consideration, the applicant must provide the following information:

- Full name;

- Contact details: registration / residence address of the applicant, postal address for correspondence, e-mail address, telephone number, etc.
- Oral description of the problem situation that caused the appeal.

The Client may apply orally (by phone) using any of the following contacts posted on the official website of the Bank (www.avgd.ua) or by phone: +380 (44) 222 01 01, mode of operation: Mon-Fri, 9.00 - 18.00.

An appeal against the appealed decision may be filed with the Bank within one year from the date of its adoption, but not later than one month from the date of acquaintance of the person with the decision. Complaints filed in violation of this deadline will not be considered. The term missed for a good reason may be renewed by the Bank.

The Bank is obliged to objectively and timely consider applications (petitions) submitted to the Bank, verify the facts set forth in them, make decisions in accordance with applicable law and ensure their implementation, notify the applicant of the consequences of consideration of applications (petitions).

An application received by the Bank that meets the requirements of the Law shall be considered by the responsible divisions of the Bank within a period not exceeding one month from the date of its receipt. The answer is sent to the client's mailing address, or another channel specified by the client (by phone, e-mail). If it is impossible to resolve the issues raised in the application within one month, the authorized person of the Bank shall set the necessary deadline for its consideration, which shall be notified to the person who submitted the application. In this case, the total term for resolving the issues raised in the appeal may not exceed forty-five days.

Complaints (notifications) are considered by the Compliance Manager of the Bank - Antonina Padalka.

According to the Instruction on the organization of consideration of citizens' appeals, personal reception and access to public information in the National Bank of Ukraine, approved by the NBU Decision of May 14, 2020 №332-р/НБУ the client has the right to appeal to the National Bank to resolve issues raised in the appeal including cases where the bank did not provide a response to the appeal within the period prescribed by the legislation of Ukraine for consideration of appeals or the received response did not satisfy the client.

Link to the section "Appeals of citizens" of the official Internet representation of the National Bank: <https://bank.gov.ua/ua/consumer-protection/citizens-appeals>

You can get acquainted in detail with the procedure for applying to the National Bank of Ukraine at the link: <https://bank.gov.ua/ua/consumer-protection>

Filing an appeal to the Bank or the National Bank does not deprive the client of the right to go to court in accordance with the legislation of Ukraine to protect their rights and interests.

Officials of the Bank shall be liable for refusal to accept and consider the appeal, violation of the term of consideration of the appeal, other violations of the client's right to appeal in accordance with the legislation of Ukraine.

During 2024, the Bank received one complaint from a customer regarding the provision of financial services by the Bank, namely the foreign currency selling rate. The Bank provided explanations to the client regarding the procedure for the purchase and sale of foreign currency.

During 2024, there were no lawsuits against the Bank for the provision of financial services.

8. SUSTAINABILITY REPORT.

In 2024, the Bank approved the Concept of Transition to Sustainable Development, Implementation of ESG Requirements in the Bank, which defines and regulates the purpose, principles and stages of implementation of ESG (environmental, social and corporate governance) requirements in the Bank, in order to analyse the compliance of the Bank's activities with ESG requirements, and to implement the basic management tools in accordance with ESG standards for the transition to sustainable development of the Bank and its compliance with the standards.

The main tasks of the Transition to Sustainable Development are as follows:

- Create a checklist of issues related to the Bank's compliance with ESG requirements;
- Conduct a self-assessment of the Bank's processes for compliance with ESG standards;
- Develop a plan to implement new requirements and standards;
- Implement basic tools for the Transition to Sustainable Development and sustainable finance;
- Conduct training for employees;
- Prepare a report.

By 2026, with the aim of joining the global movement of responsible businesses in the field of sustainable development, the Bank will align its strategy and operations with the universal principles of human rights, labor, environmental protection, and anti-corruption, and will take measures aimed at achieving broader societal goals.

Additionally, the Bank:

- supports the Global Sustainable Development Goals adopted by the United Nations <https://unglobalcompact.org/what-is-gc/mission/principles>, which are aligned with the biocapacity of the planet and are necessary to achieve human development;
- is interested in ways for the Bank to generate profits for its growth in the interests of all the Bank's stakeholders by eliminating unsustainable impacts and increasing positive impacts along the entire value chain;
- to ensure that the Bank's goals and actions taken to reduce its carbon footprint are consistent with the 2015 Paris Agreement, plans to introduce a science-based targeting approach and implement the so-called "SDG Compass" as an effective method for target setting and implementation across the value chain, which is a universal consensus on goals set globally on environmental, social and economic issues;
- plans to implement a dedicated governance process to ensure that the sustainable business model is effective and embedded in every part of the Bank. This may be either a separate position of Chief Sustainability Officer (CSO) or a group of specialists within the Bank;
- in recent years, the Bank has already been carrying out socially responsible activities (making charitable contributions to support Ukraine's freedom and independence, peace and security; ensuring free transactions for the purchase of military bonds by private investors; providing decent and safe working conditions; valuing and protecting the rights and freedoms of employees, consumers of the Bank's services, citizens, investors and other stakeholders, respecting their interests and society as a whole);
- agrees with the principle of carbon neutrality, makes responsible investments, always takes into account environmental protection issues when making decisions on project financing, primarily supports projects using renewable energy sources and aimed at creating energy from such sources, is guided in its activities by the

best business standards aimed at reducing the impact of its activities on the environment, makes maximum use of digital document flow, constantly improves technologies, uses resources efficiently and finds new opportunities for business development;

- Introduces banking products with free and equal access for potential customers.

9. INFORMATION ON THE BANK'S RELATIONS WITH FOREIGN COUNTRIES IN THE RISK ZONE.

The Bank's ownership structure does not include individuals with citizenship of a foreign country of the risk zone.

The Bank's ownership structure does not include individuals whose permanent place of residence is in foreign countries of the risk zone.

The issuer's ownership structure does not include legal entities registered in foreign countries of the risk zone.

The Bank's governing bodies do not include individuals holding citizenship of a foreign country of the risk zone.

The Bank has no other business relations with counterparties / customers of the risk zone state or counterparties / customers controlled by the risk zone state than those in respect of which appropriate measures were taken and accounts / transactions were blocked in accordance with the requirements of the current legislation of Ukraine, in particular, Resolution of the NBU Board No. 18 dated 24.02.2022. All information was provided to the NSSMC pursuant to the decision of the NSSMC No. 181 dated 21.02.2023.

The Bank does not have any subsidiaries/enterprises, branches, representative offices and/or other separate structural units in the territory of the risk zone country.

The Bank is not a founder, participant, shareholder of legal entities together with individuals who have citizenship of a foreign risk zone state or whose permanent place of residence is in foreign risk zone states or with legal entities whose place of registration is in foreign risk zone states.

The Bank has no corporate rights in a legal entity registered in a foreign country of the risk zone.

The Bank does not hold securities of a legal entity registered in a foreign country of the risk zone.

10. CONCLUSION.

During the reporting year 2024, the Bank operated in accordance with the requirements of the Bank's Corporate Governance Code, current legislation of Ukraine, internal documents of the Bank, conducted profitable activities, followed the strategy set by the Bank's shareholders.

11. ADDITIONAL INFORMATION.

- Report of the Management Board of BANK AVANGARD JSC on the results of the Bank's financial and economic activities for 2024 (including the report on the evaluation of the Management Board's activities);
- Report of the Supervisory Board of BANK AVANGARD JSC for 2024 (including a report on the evaluation of the activities of the Supervisory Board and its members);
- Report on remuneration of the members of the Supervisory Board of BANK AVANGARD JSC for 2024;

- Report on remuneration of the members of the Management Board of BANK AVANGARD JSC for 2024.

Chairperson of the Management Board

Svitlana Korchynska

FREE TRANSLATION FROM THE ORIGINAL IN UKRAINIAN

ANNUAL FINANCIAL STATEMENTS

for 2024

JSC «BANK AVANGARD» Financial statements for the year 2024
Statement of Financial Position as at 31 December 2024

(in UAH thousand)

	Note	2024	2023
Assets			
Cash and cash equivalents	6	475 905	563 685
Loans and due from customers	7	58 732	63 288
Investments in securities	8	857 411	655 212
Derivative financial assets	9	-	17
Deferred tax assets	25	448	606
Fixed and intangible assets	10	17 280	9 243
Right-of-use assets	10	48	69
Other financial assets	11	-	49
Other assets	12	6 416	11 324
Total assets		1 416 240	1 303 493
Liabilities			
Due to customers	13	1 020 259	871 952
Debt securities issued by the bank	14	7 301	7 314
Derivative financial liabilities	15	-	1 137
Current income tax liabilities		2 455	61 584
Deferred tax liabilities	17	6 681	1
Other financial liabilities	18	22 680	17 023
Other liabilities	16	580	844
Total liabilities		1 059 956	959 855
Equity			
Share capital	19	231 800	200 080
Unregistered authorized capital	19	-	31 720
Retained earnings		113 406	103 115
Reserves and other funds		11 825	11 825
Revaluation reserves	20	(747)	(3 102)
Total equity		356 284	343 638
Total liabilities and equity		1 416 240	1 303 493

Authorized for issue and signed on February 28, 2025

Chairperson of the Board _____ /Svitlana Korchynska /

Chief Accountant _____ /Nataliia Derkachenko/

Statement of profit or loss and other comprehensive income for 2024

(in UAH thousand)

	Note	2024	2023
Interest income	22	151 343	340 860
Interest expenses	22	(44 750)	(45 609)
Net interest income		106 593	295 251
Commission income	23	14 694	8 292
Commission expenses	23	(1 439)	(1 249)
Net profit / (loss) from transactions with financial instruments, that are recognized at fair value through profit or loss		(2 015)	1 302
Net profit / (loss) from transactions with debt financial instruments that are carried at fair value through other comprehensive income		9 269	15 686
Net profit / (loss) from foreign currency transactions		1 721	(226)
Net profit / (loss) from foreign currency revaluation		399	978
Net profit / (loss) from impairment of financial assets		26 235	70 679
Net loss / (profit) from increase / (decrease) in provisions for liabilities	16	264	(735)
Other operating income		53	2
Salaries and wages	24	(64 985)	(48 153)
Depreciation and amortization	24	(3 955)	(2 810)
Other administrative and operating expenses	24	(66 712)	(124 149)
Profit/(Loss) before tax		20 122	214 868
Income tax expenses	25	(9 830)	(112 805)
Profit for the year		10 292	102 063
OTHER COMPREHENSIVE INCOME:			
OCI items to be reclassified to profit or loss			
net change in fair value		2 641	(1 672)
Income tax related to other comprehensive income	25	(287)	590
Other comprehensive income after tax		2 354	(1 082)
Total comprehensive income for the year		12 646	100 981
Net profit/(loss) per an ordinary share	26		
base		84,36	836,58
diluted		84,36	836,58

Authorized for issue and signed on February 28, 2025

Chairperson of the Board _____ /Svitlana Korchynska /

Chief Accountant _____ /Nataliia Derkachenko/

Statement of cash flows**for 2024****(direct method)***(in UAH thousand)*

	2024	2023
Cash flows from operating activities		
Interest received	238 050	281 511
Interest paid	(42 465)	(49 385)
Commissions received	14 627	8 323
Commissions paid	(1 413)	(1 249)
The result of transactions with financial derivatives	6 133	16 919
The result of foreign exchange transactions	1 721	(226)
Other operating income	53	2
Staff costs paid	(60 183)	(47 569)
Administrative and other operating expenses paid	(60 972)	(117 302)
Income tax paid	(69 088)	(49 418)
Cash received / paid from operating activities before changes in operating assets and liabilities	26 463	41 606
<i>Changes in operating assets and liabilities</i>		
Net (increase)/decrease in loans and due from banks	-	-
Net (increase)/decrease in loans and due from customers	12 311	(16 274)
Net (increase)/decrease in other financial assets	-	-
Net (increase)/decrease in other assets	-	-
Net increase/(decrease) in due to banks	-	-
Net increase/(decrease) in due to customers	146 498	(8 223 232)
Net increase/(decrease) in debt securities issued by the bank	-	-
Net increase / (decrease) in other financial liabilities	6 305	23
Net cash flows from/(used in) operating activities	191 577	(8 197 877)
Purchase of securities at FVOCI	(15 344 540)	(14 534 948)
Proceeds on disposal of securities at FVOCI	15 040 041	14 226 021
Purchase of securities at amortized cost	-	-
Proceeds on redemption of securities at amortized cost	-	-
Acquisition of fixed assets	(6 154)	(337)
Acquisition of intangible assets	(4 968)	(5 025)
Net cash flows from/(used in) investing activities	(315 621)	(314 289)
Repayment of other borrowed funds	-	(38 951)
Net cash received / (used) from financing activities	-	(38 951)

JSC «BANK AVANGARD» Financial statements for the year 2024

Effect of changes in official foreign exchange rate of the National Bank of Ukraine on cash and cash equivalents	18 762	17 542
Net increase /(decrease) in cash and cash equivalent	(105 282)	(8 533 575)
Cash and cash equivalents, at the beginning of the year	611 913	9 145 488
Cash and cash equivalents, at the end of the year	506 631	611 913

Authorized for issue and signed on February 28, 2025

Chairperson of the Board _____ /Svitlana Korchynska /

Chief Accountant _____ /Nataliia Derkachenko/

Statement of Changed in Equity**for 2024***(in UAH thousand)*

	Share capital	Reserve fund	Revaluation reserve	Retained earnings	Total
Balance as at 31 December 2022	200 080	11 647	(2 020)	32 949	242 656
Distribution of previous year's profit	-	178	-	(178)	-
Unpaid share capital	31 720	-	-	(31 720)	-
Total comprehensive income	-	-	(1 082)	102 063	100 981
Balance as at 31 December 2023	231 800	11 825	(3 102)	103 115	343 638
Distribution of previous year's profit	31 720	-	-	-	-
Unpaid share capital	(31 720)	-	-	-	-
Total comprehensive income	-	-	2 354	10 292	12 646
Balance as at 31 December 2024	231 800	11 825	(747)	113 406	356 284

Authorized for issue and signed on February 28, 2025

Chairperson of the Board _____ /Svitlana Korchynska /

Chief Accountant _____ /Nataliia Derkachenko/

Note 1. General information about the bank's activities

The financial statements have been prepared in accordance with International Financial Reporting Standards based on operating results of JOINT-STOCK COMPANY "BANK AVANGARD". The reporting year is 2024.

JOINT-STOCK COMPANY "BANK AVANGARD" (hereinafter "the Bank") was registered in the State Register of Banks of Ukraine on 5 July 2013 under the registration No.346. The Bank is a resident of Ukraine, it is located at: 04116, Kyiv, 3 Sholudenko Street.

The Bank is a member of the Individual Deposit Guarantee Fund, a self-regulatory organization of professional participants of the securities market: the Association "Ukrainian Stock Traders", UkrSWIFT.

The Bank has correspondent banking relationships with the largest banks of Ukraine and settles accounts through leading international banks in all major currencies of the world by means of S.W.I.F.T. international payments. Since December 2013, the Bank has been cooperating with LLC "UKRAINIAN CREDIT HISTORY BUREAU" regarding data transfer on borrowers' credit histories.

In 2014 WESTAL HOLDINGS LTD. (location: Evagora Papachristoforou, 18, PETOUSSIS BUILDING, office 101B, 3030, Limassol, Republic of Cyprus) became the Shareholder of the Bank with a substantial holding in it and as at the reporting date, directly holds 100,00% of the Bank's share capital.

The indirect owners of substantial interest in the Bank are:

- ICU HOLDINGS LIMITED (location: Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands), which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD; and
- NAREMIUS HOLDINGS LTD (location: Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands) indirectly owing 50% of shares in the Bank through 50% participation in the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD;
- FILTESA HOLDINGS LTD (location: Trident Chambers, PO 146, Road Town, Tortola, British Virgin Islands) indirectly owing 50% of shares in the Bank through 50% participation in the legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD.

A Bank of persons linked by common economic interests, namely:

- individual Kostyantyn Stetsenko indirectly owing 50% of shares in the Bank through 100% stockholding of NAREMIUS HOLDINGS LTD, through a legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD; and
- individual Makar Paseniuk indirectly owing 50% of shares in the Bank through 100% stockholding of FILTESA HOLDINGS LTD, through a legal entity ICU HOLDINGS LIMITED, which indirectly owns 100% of shares in the Bank through 100% stockholding in WESTAL HOLDINGS LTD.

The Management of the Bank does not hold any shares of the Bank.

Note 1. General information on the bank's activities (continued)

Independent rating agency "Credit-Rating" on 20.02.2025 confirmed the long-term credit rating of JSC AVANGARD BANK at the highest level uaAAA. The maximum rating was also confirmed for the bank's issues of interest-bearing registered unsecured bonds. The outlook of all ratings is "stable": <https://avgd.ua/wp-content/uploads/AVNG-001-024-short.pdf>

The Bank operates as a multipurpose bank, whose activities are aimed at a comprehensive customer servicing and providing of high-quality services by offering a wide range of banking services and products, focusing its core business on the exchange, monetary and stock markets, conducting operations both by own resources and at the customers' expense. According to the results of trading in domestic government bonds, the Bank is among the TOP-3 leaders in terms of the volume of concluded contracts in 2024 on the Perspektyva stock exchange.

The Bank's activities in the field of services in the areas of transaction business, money market, foreign exchange market, debt securities market, digital banking of JSC BANK AVANGARD are certified according to the international standards for quality management system ISO 9001:2015 and information security management system ISO/IEC 27001:2022. The Bank has implemented a business continuity management system in accordance with the international standard ISO 22301. In 2025-2027, the bank plans to conduct its activities in accordance with anti-corruption procedures in accordance with the standard for anti-corruption management system ISO 37001.

The bank has no branches and separate structural divisions. The services are rendered to customers at the Head Office.

As of the end of the reporting period, the Bank's customer base is formed by legal entities-entities (129 clients), non-bank financial institutions (37 clients), individual clients (427 clients) and individual entrepreneurs (7 clients). The bank serves 1 667 accounts and 600 clients.

Bank's strategy

The Bank was created according to a special concept of a treasury bank, focused on the use of extensive expertise in the field of its activities with maximum operational efficiency due to price competition and high technologies. The main directions of the Bank's activities are securities trading, active participation in the interbank loans market, "Forex" market transactions.

The strategic development plan of JSC "BANK AVANGARD" has been revised and adjusted taking into account changes in the Ukrainian economy and the business environment in the banking market.

In 2025, due to changes in the market situation, the Bank plans to hold the government bonds portfolio in the amount of ~600 million UAH. The Bank plans to raise funds counterparties under the best market conditions to invest in Domestic Government Bonds. The remaining assets will consist of due from other bank and short-term loans granted to reliable borrowers. At the same time, 85% of the Bank's assets are placed for up to 30 days, and at least 85% of the assets are highly liquid, as they consist of interbank loans, domestic government bonds and cash on correspondent accounts with the most reliable Ukrainian and foreign banks. At least 80% of the due to customers are funds of legal entities.

In order to attract customers and promote the Bank's services, the Bank plans to improve all sales channels, including improving the Bank's website, expanding the functionality of the Bank's mobile application, information work (analytical reports, reviews, legal opinions and recommendations to customers, etc.), mechanisms for attracting new customers to the Bank's services and optimising operational procedures to meet the requirements of the time in terms of speed and simplicity of transactions and reliability of settlements.

Note 1. General information on the bank's activities (continued)

In the context of the economic downturn and reduction of customers' business, taking into account the requirements and opportunities of the Law of Ukraine "On Payment Services" and the implementation of the National Bank's SEP-4, the Bank improves the technological capabilities of its payment automation systems to develop cooperation with non-bank payment service providers and provide them with settlement bank services. Thus, the Bank is focused on developing its transactional business to increase its customer base and generate commission income.

Types of banking activities

The Bank carries out banking operations in the money and foreign exchange markets in accordance with the banking licence obtained (the Bank was included in the State Register of Banks on 05.07.2013 under No. 346, Extract from the State Register of Banks dated 16.08.2021 No. ΔРБ-000069).

The Bank has the License of the National Securities and Stock Market Commission for conducting professional activities in the securities market as a dealer (serial number AE № 286807), dated 22.01.2014 with no expiration date, which, according to the Resolution of The National Securities and Stock Market Commission dated 23.06.2021 № 420 reissued for conducting professional activities in the capital market such as trading the financial instruments, which implies dealer activities.

The Bank's activities are based on the principles of reliability, transparency, well-balanced financial performance, compliance with requirements and best practices of banking activities in the following areas:

Treasury operations: operations in the monetary market, transactions in the foreign exchange market, securities transactions, relationships with professional financial market participants - banks, insurance companies, financial intermediaries of capital markets. Deposit attracting transactions from the Bank's customers are considered as transactions in the monetary market, since they represent the main source of the Bank's funding. In order to provide such funding the following measures have been organized: customer servicing, document management associated with all types of transactions and operations, payment and message processing in the "Client-Bank" system, opening and maintaining of current accounts of customers and correspondent banks, including transfer of funds using payment instruments and crediting of funds to accounts; management of customers' (both resident and non-resident) accounts in foreign currencies and non-resident customers' accounts in the currency of Ukraine; management of correspondent accounts of banks (resident) in foreign currencies; opening of correspondent accounts in the authorized banks of Ukraine in foreign currencies and transactions with them.

During 2024, the National Bank of Ukraine has applied to the Bank no restrictions to limit activities performed by the Bank according to permits and licenses granted; there has been also no restrictions regarding the ownership of assets.

No decisions were made during the reporting year by the Bank's Management on the merger, consolidation, disintegration, separation or transformation of the Bank or on the termination of certain activities of the Bank.

There were no bankruptcy proceedings or arbitrations on the Bank's resolution; no decisions were made on the Bank's termination or bankruptcy by the highest governing body of the Bank or the court.

Note 1. General information on the bank's activities (continued)

On 22.01.2024, the National Bank of Ukraine temporarily, until the violation is eliminated, prohibited the use of voting rights by the owners of significant interests in the Bank, which, in the opinion of the Bank's management, does not affect the financial stability of the Bank and does not create additional risks that may affect the continuity of its operations, as in accordance with the legislation of Ukraine, such a measure does not result in the termination of the Bank's operations and does not affect the fulfilment of the Bank's obligations to customers, counterparties and depositors, which are fulfilled by the Bank on time and in due course.

Each decision of the NBU regarding the shareholders and the Bank's ultimate beneficial owners (hereinafter "UBO") is or will be challenged in court and there is every reason to expect a fair decision, taking into account the decision of the Kyiv District Administrative Court dated 10.04.2024 (upheld by the decision of the appellate court) and the decision of the Kyiv District Administrative Court dated 12.02.2025, which satisfied the administrative claims of Bank's UBO against the National Bank, and according to which the decisions of the National Bank, which became the basis for depriving the owners of significant participation of the right to vote, were recognized as unlawful and cancelled.

On 13.02.2025, the Kyiv District Administrative Court ruled that the decision of the National Bank of Ukraine to ban the use of voting rights by one of the Bank's UBO was unlawful and cancelled.

The Bank has established and operates competent, suitable and effective Supervisory Board and Management Board, which, if necessary, consider all issues of the Bank's activities within their competence. In accordance with the legislation and the Bank's Charter, the exclusive competence of the shareholder includes the resolution of strategic issues of the Bank's activities, which are not expected to be resolved within the term of the measure of influence applied by the National Bank of Ukraine to the Bank. This scope of the shareholder's competence does not require the shareholder's day-to-day participation in the Bank's day-to-day operations and in ensuring the continuity of its business. The vast majority of issues necessary to ensure and maintain the financial stability of the Bank and the continuity of its operations fall within the competence of the Supervisory Board or the Management Board of the Bank.

Bank performance indicators in 2024

The Bank's assets as of 31.12.2024 amounted to UAH 1 416 240 thousand (as of 31.12.2023: UAH 1 303 493 thousand).

The quality of assets of JSC "BANK AVANGARD" is good. Highly liquid assets remain the main component of the Bank's assets. Highly liquid assets are mostly represented by IGLBs and NBU certificates of deposit. Funds on NOSTRO accounts are placed in resident banks.

The Bank's liabilities as at 31.12.2024 amounted to UAH 1 059 956 thousand (31.12.2023: UAH 959 855 thousand). The resource base is formed by customer funds, including short-term funds of legal entities and individuals. The portfolio of client funds as of 31.12.2024 amounted to UAH 1 020 259 thousand (31.12.2023: 871 952 thousand).

In 2021, JSC «BANK AVANGARD» issued and placed Series A bonds in the amount of 100 000 (one hundred thousand) bonds maturing on 08.04.2026 and Series B bonds in the amount of UAH 100 000 (one hundred thousand) bonds maturing on 07.04.2027. During 2021 the Bank repurchased Series A own debt bonds in the amount of 77 500 (seventy-seven thousand five hundred) maturing on 08.04.2026 and Series B bonds in the amount of 97 500 (ninety-seven thousand five hundred) maturing on A 07.04.2027.

Note 1. General information on the bank's activities (continued)

In the I quarter of 2022, the Bank repurchased Series A own debt bonds in the amount of 18 000 (eighteen thousand) bonds maturing 08.04.2026.

As of December 31, 2024, the total amount of bonds placed was UAH 7 million.

As at 31.12.2024, the Bank's equity amounted to UAH 356 284 thousand (31.12.2023: UAH 343 638 thousand). The main component of equity is the Bank's share capital.

As at 31.12.2024, the Bank's share capital amounted to UAH 231 800 thousand (31.12.2023: UAH 200 080 thousand).

As at 31.12.2024, the Bank's regulatory capital amounted to UAH 344 300 thousand, including Tier 1 capital in the amount of UAH 344 300 thousand, common equity Tier 1 capital in the amount of UAH 344 300 thousand.

During the reporting period, the Bank complied with the prudential regulations of the National Bank of Ukraine, which as of 31.12.2024 were as follows:

Note 1. General information about the Bank's activities (continued)

	Normative value	As at 31 December 2024	As at 31 December 2023
Regulatory capital ratio (N1)	UAH 200 000 thousand	UAH 344 300 thousand	UAH 340 337thousand.
regulatory capital adequacy ratio (RCR)	Not less than 8,50%	45,95%	80,50%
LCRBB	100%	285,0938%	521,2656%
LCRIB	100%	479,3203%	607,8046%
NSFR	100%	702,7163%	588,7717%

In order to monitor banks' liquidity, the National Bank has introduced the following liquidity ratios: liquidity coverage ratio (LCR), for all currencies (LCRBB) and for foreign currency (LCRIB).

Liquidity Coverage Ratio (LCR) is a liquidity ratio that sets the minimum level of liquidity required to cover a net expected cash outflow for 30 calendar days, taking into account the stress-scenario (hereinafter referred to as net expected cash outflow).

The Bank calculates its Liquidity Coverage Ratio (LCR) daily as the ratio of high-quality liquid assets to the expected net cash outflow.

Net Stable Funding Ratio (NSFR) is a liquidity ratio that sets the minimum required level of stable funding for the bank's operations for a one-year horizon. The Bank calculates the Net Stable Funding Ratio (NSFR) as the ratio of available stable funding (ASF) to required stable funding (RSF).

According to the results of 2024, the Bank's activities were profitable and net profit amounted to UAH 10 292 thousand.

Note 1. General information on the bank's activities (continued)**Bank Management**

The supreme governing body of the Bank is the General meeting of the shareholders. The Supervisory board is a collegial body of the Bank that ensures control over the activity of Management of the Bank, protection of rights of investors, other creditors and shareholders of the Bank according to the charter of the Bank, terms on Supervisory board of the Bank and the current law of Ukraine. The Supervisory board doesn't take part in the current management of the Bank.

According to the current legislation and the Charter the exclusive competence of the Supervisory Board includes:

- 1) approval of the Regulations on the Bank's Management Board, regulations on the Internal Audit Service, the Risk Management Service, the Compliance Service, the Corporate Secretary, permanent and temporary committees of the Supervisory Board, other internal regulations regulating the activities of the Bank's structural divisions, and other internal documents, the approval of which, in accordance with the requirements of the current legislation of Ukraine, is within the competence of the Supervisory Board; approving the provisions governing the Bank's activities, except for those that fall under the exclusive competence of the General Meeting and those that are submitted to the Bank's Management Board for approval by the decision of the Supervisory Board;
- 2) convening of the General Meeting, preparation and approval of the draft agenda and the agenda of the General Meeting, making a decision on the date of its holding and the inclusion of proposals in the draft agenda, except in the case of shareholders convening an extraordinary General Meeting;
- 3) consideration of the report of the Management Board and approval of measures based on the results of its consideration, decision-making based on the consequences of consideration of the report of the Board;
- 4) appointment and termination of powers of the Chairman and members of the Management Board, as well as decision-making on the quantitative composition of the Management Board;
- 5) appointment and dismissal (termination of powers) of the head of the Bank's Internal Audit Service (internal auditor), Chief Risk Manager, Chief Compliance Manager;
- 6) approving the terms of employment contracts (contracts) concluded with the members of the Management Board, the head and employees of the Bank's Internal Audit Service, the Chief Risk Manager, the Chief Compliance Manager, establishing the amount of their remuneration, including incentive and compensation payments; determination of the person who will sign contracts (agreements) on behalf of the Bank with the head and members of the Bank's Management Board;
- 7) making a decision to remove the Chairman of the Management Board or a member of the Management Board from exercising his powers, to elect a person who will temporarily exercise the powers of the Chairman of the Management Board;
- 8) determination of an auditing firm for conducting an external audit of the Bank, including for conducting an annual audit of financial statements, and approving the terms of the contract concluded with the auditing firm, establishing the amount of payment for services; and the election of a person authorized to sign such an agreement with the subject of audit activity;

Note 1. General information on the bank's activities (continued)

9) consideration of the conclusion of the Bank's external audit and preparation (provision) of recommendations to the General Meeting for decision-making regarding the conclusion of the external audit;

10) making a decision to give consent to the Bank's execution of significant transactions or transactions with an interest in cases established by the legislation of Ukraine.

11) election of the Corporate Secretary and approval of the Regulations on the Corporate Secretary;

12) creation of temporary and permanent committees of the Supervisory Board, determination of their personnel, powers and other issues of functioning, review of reports (conclusions) of temporary and permanent committees of the Supervisory Board;

13) approval and control over the implementation of the Bank's strategy, business plan, plans for the restoration of the Bank's activities, financing of the Bank in crisis situations, ensuring the continuous operation of the Bank;

14) ensuring the operation and control over the effectiveness of the Bank's comprehensive and adequate internal control system, including the risk management system, internal audit;

15) determination of the Bank's credit policy;

16) control over the elimination of deficiencies identified by the National Bank of Ukraine and other state power and management bodies that, within the scope of their competence, supervise the activities of the Bank, the Internal Audit Service and the audit firm, based on the results of the external audit;

17) determination of remuneration policy in the Bank in accordance with the requirements established by the National Bank of Ukraine, as well as control over its implementation;

18) approval of the regulation on the remuneration of the members of the Management Board; approval of the report on the remuneration of the members of the Management Board;

19) carrying out an annual assessment of the performance of the Bank's Supervisory Board in general and each member of the Bank's Supervisory Board in particular, committees of the Bank's Supervisory Board, assessment of the compliance of the Bank's Supervisory Board's collective suitability to the Bank's size, complexity, volumes, types, nature of operations carried out by the Bank, organizational structure and risk profile the Bank, taking into account the peculiarities of the Bank's activities and/or the activities of the banking group, which the Bank is a part of, as well as taking measures to improve the mechanisms of the Bank's board of operations based on the results of such an assessment;

20) carrying out an annual assessment of the effectiveness of the Bank's Management Board in general and each member of the Bank's Management Board, in particular, the Risk Management Service, the Compliance Service, the Bank's Internal Audit Service, assessing the compliance of members of the Bank's Management Board, the Chief Risk Manager, the Chief Compliance Manager, the Head of the Internal Audit Service with qualifications requirements, assessment of compliance of the collective suitability of the Bank's Management Board with the Bank's size, complexity, volumes, types, nature of operations carried out by the Bank, organizational structure and risk profile of the Bank, taking into account the specifics of the Bank's activities and/or activities of the banking group, which includes the Bank, as well as taking measures on improving the mechanisms of the Bank's

Note 1. General information on the bank's activities (continued)

Management Board and the Risk Management Service, the Compliance Service, and the Bank's Internal Audit Service based on the results of such an assessment;

21) control over the preparation of the Report on the remuneration of members of the Supervisory Board;

22) exercise of other powers attributed to the competence of the Supervisory Board by the Law of Ukraine "On Joint Stock Companies", current legislation of Ukraine or the Bank's Charter.

The executive body of the Bank is the Management Board, which manages the current activities of the Bank, resolves issues in its competence, determined by the Charter of the Bank, Regulation on the Management Board of the Bank and is responsible for the effectiveness of activity of the Bank according to the current legislation, Charter of the Bank,.

The executive body of the Bank is the Management Board, which manages the current activities of the Bank, except for those, in exclusive competence of General Meeting of shareholders and Supervisory Board. General Meeting and Supervisory Board can make a decision regarding transfer of authority to the competence of the Management Board except for authority, referred to by applicable law of Ukraine and Bank's Charter to exclusive competence of each of the bodies of management of the Bank.

The Management board is accountable to Supervisory Board of the Bank. The Management Board decides on the managing of the Bank's structural divisions, monitors the Bank's compliance with the current legislation of Ukraine; organizes deposit operations for the Bank's cash assets and valuables, accounting and reporting transactions, internal controls and other issues regarding the Bank's activities: reviews and approves the internal documents at the Bank within its competence, decides on the establishment, management and liquidation of the Bank's structural divisions other than those which fall within the exclusive competence of the Supervisory Board, and exercises other powers stipulated by the current legislation of Ukraine.

The Bank's organizational structure is based on the main directions, each of them being dependent to one of the members of the Management Board.

The Bank improves its corporate governance standards taking into account the practices and vision of leading international companies, as well as creating the necessary conditions for timely exchange of information and effective interaction between the Supervisory Board and the executive body.

The number of employees of the Bank at the end of 2024 is 37 persons.

The Bank does not plan to increase its staff or make any significant personnel changes. In 2025, it is planned to increase the staff to a maximum of 40 employees to ensure business development and control functions.

Risk management system

The Bank's risk management system is aimed at ensuring the implementation of business goals defined under the Bank's development strategy and enhancing its value, optimizing the potential opportunities and risks ratio, capital stock and growth rates of the Bank.

Note 1. General information on the bank's activities (continued)

The main instrument in implementation of these objectives is a comprehensive risk management system established at the Bank that provides action coordination across all the departments within a single strategy regarding risk management, approved by the Supervisory Board of the Bank. The formation of the integrated system is aimed at a maximum concentration of the Bank's risk management functions, ongoing analysis of the situation and environment where risks arise and executive decision-making regarding the influence over these risks and/or the level of the Bank's exposure to them.

The Bank's risk management system is based on the principles defined by the regulatory authorities and recommendations of the Basel Committee.

The distribution of functions and powers in the risk management covers all organizational levels and divisions of the Bank. The basic structure of the Bank's risk management stipulates for the involvement of the Supervisory Board, the Management Board, special-purpose committees, the Risk Management Service and Bank's structural divisions in the risk management process.

The general supervision over the implementation of the Bank's risk management is carried out by the Bank's Supervisory Board; the implementation of the risk management system is carried out by the Management Board.

The Asset and Liability Management Committee determines the optimal balance sheet structure, plans the financial performance indices and monitors their implementation, considers the cost of funding sources, controls the liquidity risk, interest rate and foreign currency risks.

The Credit Committee manages credit and investment activities and monitors the credit risks associated with individual customers and credit-investment portfolio as a whole.

The Tariff Committee regulates commission income, analyses the current tariff rate competitiveness.

The Risk Management Service performs a quantitative and qualitative assessment of the risks to which the Bank is exposed or which may subsequently arise in its activities, monitors the status and size of the risks, namely:

- Credit risk;
- Liquidity risk;
- Interest rate risk;
- Market risk;
- Foreign currency risk;
- Operational risks;
- Compliance risk;

other material risks (reputation risk, strategic risk, and risk of professional activity in the stock market)

The Internal Audit Service evaluates the sufficiency of the risk management systems to the Bank's requirements.

The Bank's structural divisions perform the risk operational management associated with the activities according to the established risk tolerance levels and limits, and are responsible for the risk acceptance results. The Bank improves the risk management system on a regular basis and provides timely updating of the interbank statutory framework in case of changes

in legal, regulatory or statutory requirements, the Bank's organizational structure and risk tolerance.

Note 1. General information on the bank's activities (continued)

Significant accounting judgments, assessments and assumptions

Preparation of financial statements in accordance with IFRS requires management to form certain judgments, assessments, and assumptions, which affect the amounts of income, expenses, assets and liabilities in the statements, as well as those that affect the disclosure of information about these articles and on contingent liabilities. The uncertainty of these assumptions and estimated values can lead to results that may be significantly adjusted in the future relative to the book value of assets and liabilities, for which similar assumptions and estimates were made. In the process of applying the Bank's accounting policy, the management made the following judgments and assumptions about the future and other major sources of uncertainty of the estimate at the reporting date, which carry a significant risk that a significant adjustment in the book value of assets and liabilities will be required in the next financial year.

Existing circumstances and assumptions about future developments may change as a result of events not controlled by the Bank, which are reflected in assumptions in case of their occurrence. Positions that have the most significant impact on the amounts reflected in the consolidated financial statements and for which management has used significant judgments and/or assessments considered below, taking into account accepted judgments/assessments.

Note 2. Economic environment in which the Bank operates

On 24.02.2022, a full-scale invasion of the territory of Ukraine by the troops of the Russian Federation began. In connection with the military aggression of the Russian Federation against Ukraine, based on the proposal of the National Security and Defence Council of Ukraine, the President of Ukraine in accordance with the Decree of the President of Ukraine of February 24, 2022 № 64/2022 imposed martial law in Ukraine for 30 days, the same day was approved by the Verkhovna Rada of Ukraine. The martial law remains in effect to this day.

The National Bank promptly made decisions and imposed temporary restrictions on the operation of the foreign exchange market of Ukraine, fixing exchange rates, restrictions on cash withdrawals and a moratorium on cross-border payments, etc. in connection with the declaration of martial law throughout Ukraine. Appropriate actions are necessary to ensure the reliable and stable functioning of the country's financial system and maximize the activities of the Armed Forces of Ukraine, as well as the uninterrupted operation of critical infrastructure.

At its extraordinary meeting on 24.02.2022, the National Securities and Stock Market Commission (NSSMC) decided to temporarily suspend operations with all securities, as well as to conduct operations in the depository accounting system and clearing accounting systems, and to temporarily suspend operations with assets of UCITS and NPF. Certain restrictions have since been eased, while new ones have been introduced.

According to the NBU experts, the foreign exchange and stock markets are currently operating under significant restrictions that were introduced under martial law. Authorized institutions are effectively prohibited from trading in foreign exchange, except in certain cases. Most transactions on the interbank market involve the NBU, both buying and selling foreign currency.

Note 2. Economic environment in which the Bank operates (continued)

In 2024, macroeconomic conditions were favourable for financial institutions, which were able to ensure that payments and transfers were made properly, that households and businesses had safe and uninterrupted access to their savings, and that they provided more and more resources to the economy to overcome the effects of the war. The liquidity, solvency, and operational stability of the banking system do not raise any concerns. The war remains the key risk to financial stability, as it does not pose immediate challenges to banks and nonbank financial institutions, but it significantly increases their operating costs and restrains their risk appetite for developing certain business lines.

Economic growth continues, although its pace has been volatile in recent months. Domestic demand remains the main driver of the recovery, with growth also supported by government capital expenditures on defence and stable export logistics. These factors are expected to continue next year. Russia's energy terror restrained companies' operations in the fourth quarter, but did not stop the growth of their production and revenues.

Restoration of the energy infrastructure will increase the potential for economic growth next year. At the same time, Ukraine's economy continues to be characterized by structural vulnerabilities caused by the war. The state budget deficit, state and gross external debt remain at high levels. A significant foreign trade deficit persists due to a steady increase in import demand and a slow recovery in export capacity. Pressure on the foreign exchange market is growing, although the liberalization measures taken so far have had a rather limited impact on foreign exchange demand. Steady inflows of international aid ensure capital inflows and offset these risks. The NBU's stock of international reserves allows it to guarantee stable FX market operations and smooth out excessive exchange rate fluctuations.

At the end of the year, inflation accelerated, exceeding the NBU's forecast. This was primarily driven by higher food prices due to poor harvests, as well as a certain increase in electricity costs, higher labour costs, and the hryvnia depreciation over the course of the year. Inflationary pressures will ease in the middle of next year as new crops enter the market. In December, the NBU raised its key policy rate by 0.5 pp to 13.5%, and in January 2025 to 14.5% to avoid unbalancing inflation expectations. Tightening monetary conditions will stop the decline in commercial bank rates that has been going on for more than a year.

Banks continue to rely on customer deposits as the basis of their funding. After a short period of seasonal volatility, business and household deposits with banks are growing. This maintains a significant level of liquidity in the banking sector, with banks meeting short- and long-term liquidity ratios by a significant margin. In the fall, the NBU increased its required reserve requirements, which somewhat reduced banks' free liquidity. As banks, especially state-owned banks, invested more actively in domestic government bonds, the share of certificates of deposit in highly liquid assets declined. Such a change in the structure of liquid funds will require banks to manage liquidity more actively, and we can expect more attractive conditions for attracting customer funds. At the same time, banks' liquidity is now favourable for further increasing investments in domestic government bonds and lending.

Lending continues to be brisk across all segments, driven by stronger demand. In a survey on lending conditions, banks report an increase in customer demand for borrowed funds, with business loan demand estimates at their highest since the end of 2021. The net hryvnia loan portfolio of businesses increased by more than 20% over the year, and that of households by more than 30%.

Note 2. Economic environment in which the Bank operates (continued)

Corporate loan portfolios are growing for banks of all groups and for companies of all sizes. Financial institutions are actively financing enterprises in the largest industries: agriculture, trade, and industry, thus contributing to their growth. A memorandum signed by the banks in the summer facilitated financing of energy recovery on favourable terms. The step-by-step implementation of the Lending Development Strategy is closing existing gaps in the market to facilitate access to credit. Banks are competing for business clients, which is reflected in the relaxation of lending standards. The financial condition of companies allows banks to increase their portfolio by lending to stable and solvent clients.

Even those that benefit from the privileges are mostly able to service their debts on market terms. Accordingly, the quality of the corporate loan portfolio is very good, with default rates at the level of 2021.

Competition in the retail unsecured lending segment is even stronger than in corporate lending. More and more banks are actively trying to strengthen their role in retail lending. Therefore, the market share of the leading banks declined slightly over the last six months. Despite the growth in loans, their level remains quite low relative to GDP and household incomes. This indicates significant room for portfolio growth. Mortgage lending is brisk, but the least sustainable of all segments. Its volumes are determined by the dynamics of the government's "eOselya" program, which dominates the market and leaves little room for the development of market mortgages. Recently, attempts have been made to redirect this program to the primary market, but its financial resources are limited. As a result, lending slowed at the end of the year.

The reform of the program "Affordable Credits 5-7-9%" is slow, and it is still not sufficiently focused on clients who need it most. This resulted in a significant increase in interest compensation debt to banks at the end of the year. Funding under the program will also become more difficult due to the requirements for banks to comply with environmental and social standards, which will require appropriate qualifications from banks and their clients. The program's activity is expected to decline. The role of government support in business lending is further weakening, with the share of subsidized loans in the business loan portfolio falling to one third again. Market-based unsubsidized loans and banks' access to credit risk-sharing instruments will ensure the continuity of business financing. In the future, the design of government support programs should ensure that market mechanisms dominate, in particular in determining interest rates, and that they target only those borrowers who need them. This applies to both the Affordable Credits 5-7-9% program and the "eOselya" program. The development strategies for these programs and for the activities of the managing institutions should be updated to reflect market needs. At the same time, the role of guarantees to cover credit risk in the resumption of corporate lending is growing. Thus, guarantees from both the Ukrainian government and international financial organizations are becoming increasingly available.

The prolonged decline in interest rates prompted banks to manage their assets more actively. As a result, banks were largely able to maintain their asset yields, while their funding costs declined slightly. As a result, banks' net interest margins remained very high. Thanks to the continued high profitability of core operations, as well as an increase in fee and commission income, banks can spend more on administrative needs without losing efficiency. Given the high quality of their portfolios, banks incur almost no provisioning costs. As a result, their profitability remains strong and allows them to maintain a high level of capital. The recent repeated increase in the corporate income tax rate to 50%, which will apply to the financial result for the entire year 2024, was a significant unfavourable factor for banks' profitability. The practice of retrospective tax innovations significantly complicates capital planning for banks and, for some, reduces lending opportunities.

Note 2. Economic environment in which the Bank operates (continued)

The key regulatory innovation of the last six months is the transition of banks to a new three-tier regulatory capital structure. Banks also began to fully consider all three key risks: credit, market, and operational in calculating their capital requirements. In addition, financial institutions have the first results of their own capital adequacy assessment under the ICAAP. Taken together, this has resulted in significant progress in bringing domestic banking regulations in line with those of the European Union. This work will continue. Non-bank financial institutions will undergo further transformation under the influence of updated regulatory requirements. In many areas, the work has only just begun, and market players still have a long way to go to adapt to the new legislation and prudential requirements. The number of market participants has declined significantly in recent years, but this has not led to a narrowing of access to financial services. The assets of the nonbank financial sector are growing, as is its resilience to adverse events. This will continue to boost confidence in nonbank financial services and market development.

Monetary and Financial Sectors**Hryvna**

In 2024, the hryvnia gradually depreciated due to higher foreign exchange demand. The NBU maintained its policy of managed flexibility, so the exchange rate was influenced by both FX interventions and market forces. The gap between cash and official rates remained around 1%, indicating market stability.

The NBU plays a central role in stabilizing the FX market. It balances supply and demand for cash and non-cash currency, with non-cash transactions accounting for 59% of sales and 87% of purchases. The monthly deficit for FX currency remained at around \$2.5 bn in 2024.



Average daily official and market exchange rates in 2024, UAH/\$

Note 2. Economic environment in which the Bank operates (continued)

In 2024, the NBU took action to stabilize the FX market by increasing net FX sales. Total net sales in 2024 reached \$34.8 bn, the highest in 12 years and above the 2022-2023 level.

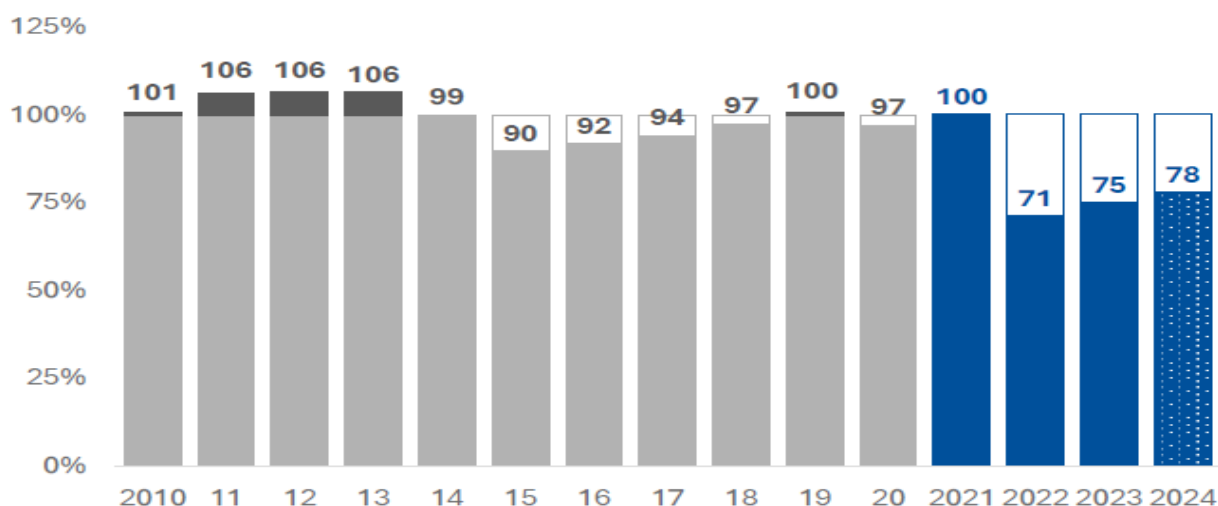
The impact of war on the banking sector is manifested through the following components:

- interruptions in the operation of bank branches and ATMs, significant damage or destruction of banking infrastructure in the areas of military operations;
- reduced liquidity due to outflows of customer funds, partially offset by support from the NBU through refinancing instruments;
- reduction in the loan portfolio due to the actual cessation of new lending by banks (except for lending by state-owned banks to sectors and enterprises that are critical under martial law);
- a sharp (at least 50%) decline in the operating income of banks (due to reduced demand for services from customers, the introduction of "credit holidays", restrictions on foreign exchange transactions, etc.), which may result in their operating losses in the medium term;
- the inability of some borrowers to service their loans, deterioration in payment discipline due to the suspension of operations of many businesses, loss of income sources by individuals (including refugees), and the forced relocation of millions of Ukrainian citizens;
- a decline in the capital of banks due to a shortfall in income, material losses and the loss of a part of the loan portfolio.

According to experts of the National Bank of Ukraine, the financial sector continues to operate without interruption, customer confidence in banks remains high, and they are increasingly lending to businesses and households. Despite the persistence of military risks, the financial sector is playing an increasingly important role in economic recovery.

GDP dynamics

GDP is still more than 20% lower than in 2021. After falling by 28.8% in 2022, the economy recovered by 5.3% in 2023 and 4% in 2024. Better logistics and the development of the defence industry had a positive impact on the recovery.



Real GDP at 2021 prices, % of GDP in 2021

Note 2. Economic environment in which the Bank operates (continued)

The economic recovery is gradually slowing down. In 2024, each quarter's growth relative to 2021 was lower comparing with 2023. The economic recovery was slower, among other things, as the effect of the low comparison base passed, and high fiscal deficits became the norm.

Business expectations

In 2024, business expectations peaked at their highest level since the start of the full-scale war but remained negative for most of the year.

International trade

In 2024, goods exports grew by 15% to \$41.7 bn. Agricultural products accounted for \$20.9 bn — 50% of total exports. The mining and metallurgical complex accounted for \$6.9 bn (17%) of export earnings, the food industry for \$3.7 bn (9%), and machine building for \$3.6 bn (9%). Sugar exports in 2024 reached 750 kt (\$420 m) - this is the highest figure since 1997, when the statistics began to be compiled.

Total imports in 2024 added 11% reaching \$70.7 bn. Main imported goods last year were oil and oil products – \$6.8 bn (10%), passenger cars – \$4.4 bn (6%), pharmaceuticals – \$2.0 bn (3%), mobile phones – \$1.3 bn (2%), fertilizers – 1.2 bn (2%) and drones – 1.1 bn (2%).

Exports of services in 2024 amounted to \$15.6 bn (+4% y-o-y). Exports of IT services decreased by 5% to \$5.8 bn while transportation services increased by 9% to \$3.8 bn. Of this amount, freight transportation accounted for \$2.4 bn and pipeline transportation for \$1.2 bn. On January 1, the agreement for the transportation of russian gas through Ukraine expired. This will affect the transportation services export in 2025.

Inflation

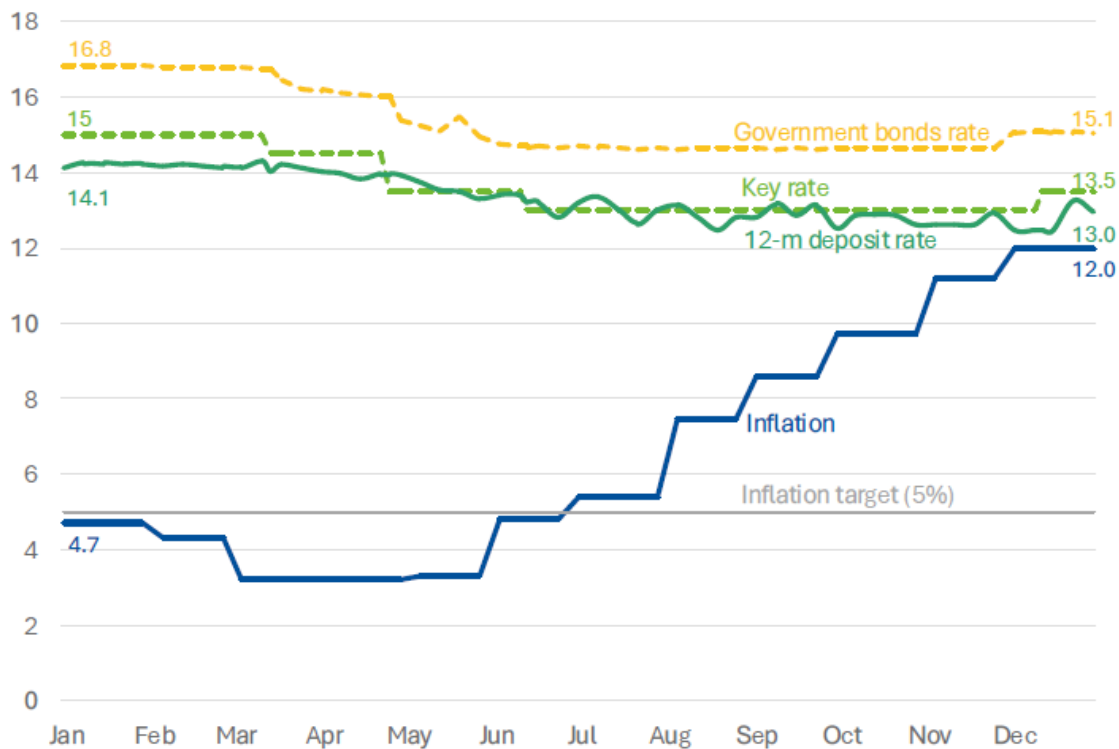
Inflation showed an accelerating trend in the second part of the year. It remained below the 5% target in early 2024 but steadily rose to 12% y-o-y by December.

The NBU adjusted its key rate in response to inflationary pressures. Starting 2024 at 15%, the NBU gradually lowered it to 13% by June. The rate remained unchanged until mid-December, when it was increased to 13.5% due to rising inflation.

Market rates aligned with the monetary policy adjustments. Other rates followed the key policy rate and stayed stable in the latter half of 2024.

Investments in bonds and deposits provided positive real returns. By December 2024, 1-year government bonds and hryvnia deposits yielded rates above projected 2025 inflation.

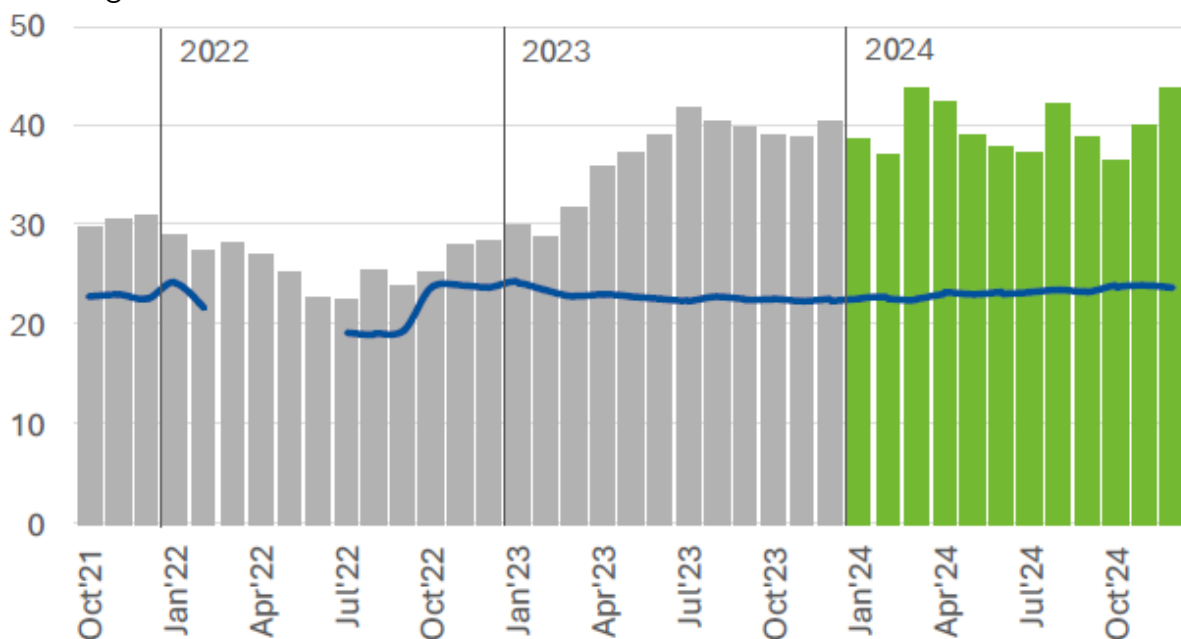
Note 2. Economic environment in which the Bank operates (continued)



2024: Inflation (y-o-y), NBU key rate, rate on hryvnia retail deposits (12-month), and weighted average level of yield on 1-year hryvnia government bonds, %

International reserves

In 2024, international reserves rose 8% to \$43.8 bn, covering 5.5 months of imports — well above the minimum required 3 months. This growth was driven by \$42 bn in international aid and \$3.5 bn from FX domestic government debt securities which compensated for debt servicing, NBU FX interventions, and reserve accumulation.



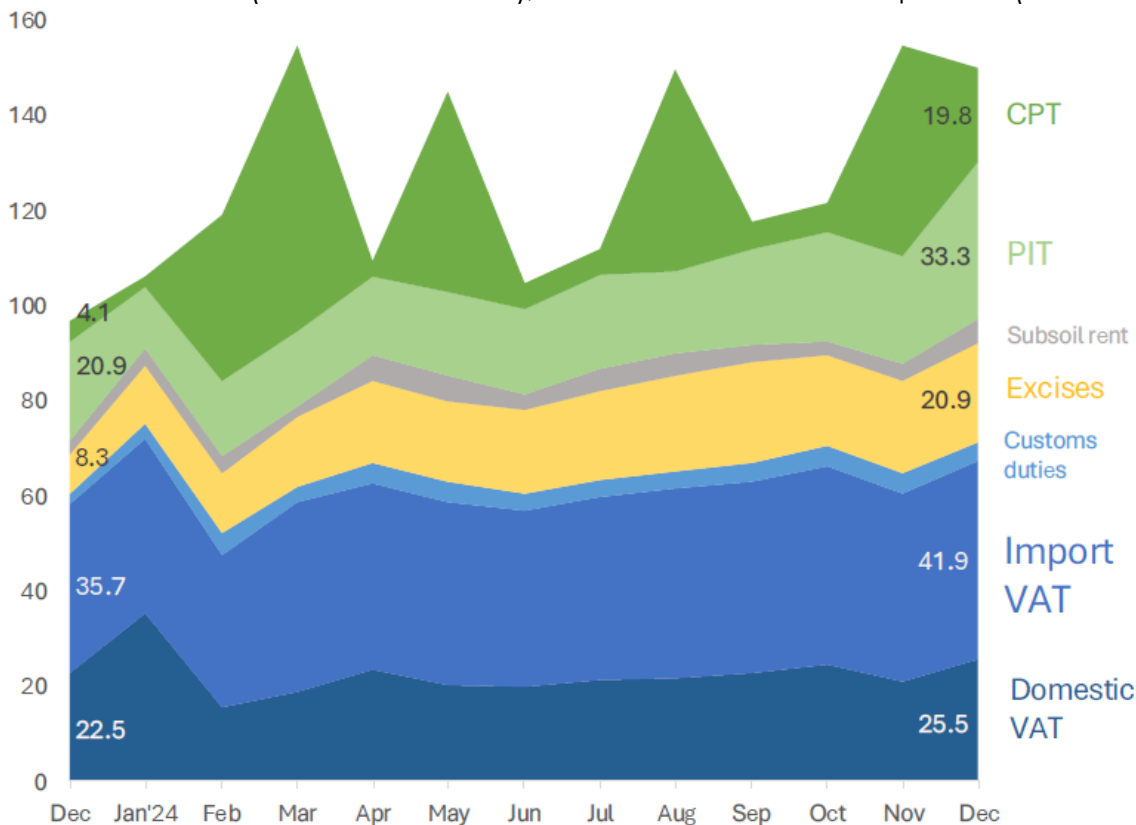
Gross international reserves and their amount needed to cover three months of future imports, \$ bn

Note 2. Economic environment in which the Bank operates (continued)

Fiscal Sector

Budget

Tax revenues for 2024 (UAH 1,647 bn) increased by 37% y-o-y, with all taxes outpacing inflation. The main contributors to this growth in absolute terms were CPT (+UAH 127 bn), excise taxes (+UAH 106 bn), and VAT on imports (+UAH 100 bn).



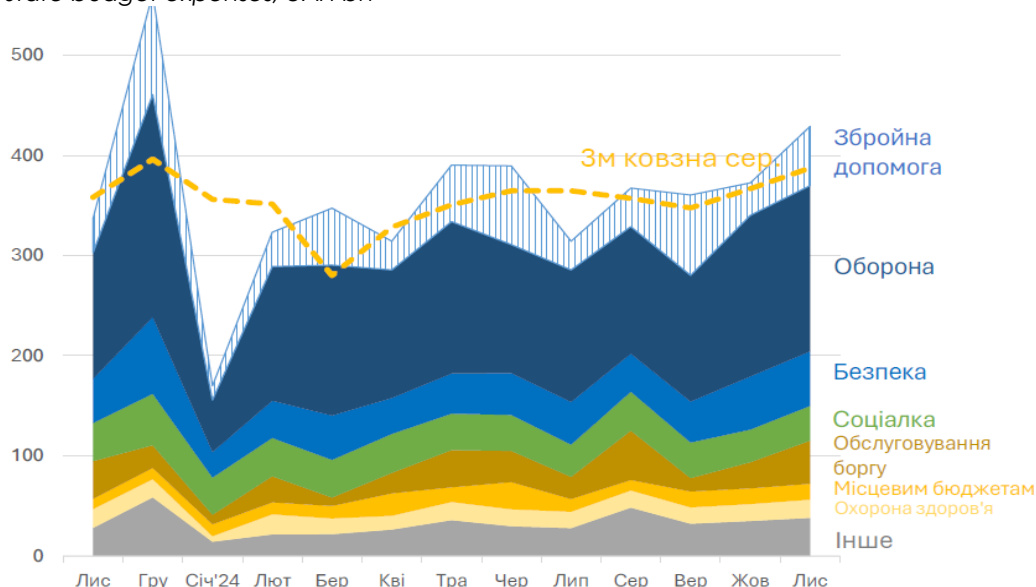
Tax revenues, UAH bn.

State budget expenses, excluding in-kind military support, reached UAH 3.271 bn for 2024, adding 15% y-o-y.

Défense and security expenses reached UAH 1.908 bn.

Debt service expenses reached UAH 287 bn, or 8.8% of all state budget spending.

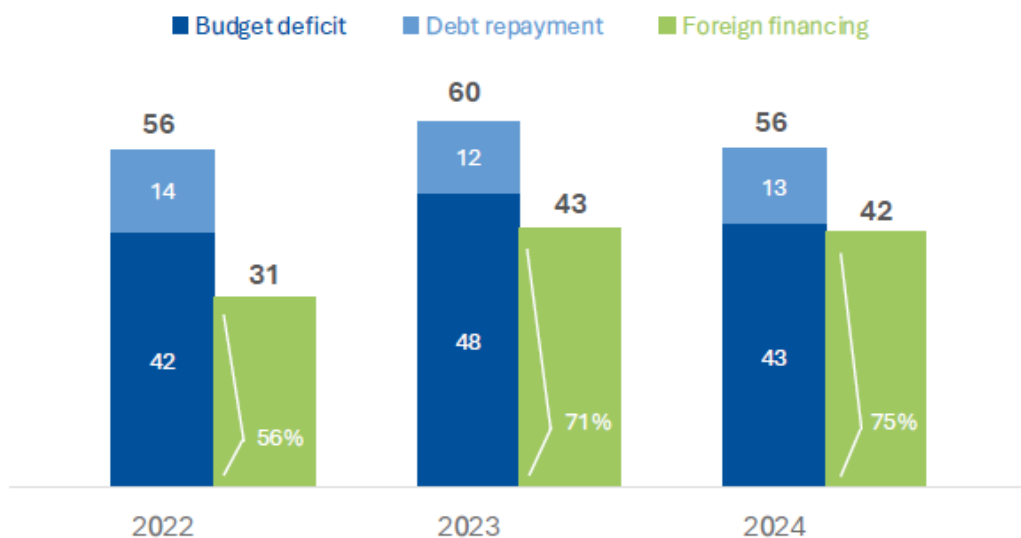
State budget expenses, UAH bn

**Note 2. Economic environment in which the Bank operates (continued)***Foreign assistance*

Ukraine received \$41.6 bn of foreign budgetary financing in 2024.

The country entered 2025 in a better position than in the previous year thanks to the efforts of international partners to use the proceeds of frozen russian assets.

The EU remains the main provider of aid to the Ukrainian budget. The US is still the main provider of military aid.



State budget financial needs coverage by foreign financing, \$ bn

Note 3. Basis of preparation of financial statements

The Bank's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board.

These financial statements have been prepared in accordance with the measurement principle at historical cost, with the exception of items carried at fair cost.

The financial statements are presented in UAH, and all amounts are rounded to thousands, except where otherwise indicated. The Bank's functional currency is UAH.

The Bank's accounting policy for the reporting period corresponds in all major aspects to the Bank's accounting policy for the previous period.

The Bank's accounting records and financial statements are based on the following principles:

- full coverage – all banking transactions are to be registered on accounts without any exceptions. The financial statements must contain all information about actual and potential effects of the Bank's operations that may affect the decisions made according to it;
- autonomy – assets and liabilities of the Bank as a business entity are accounted for separately from the assets and liabilities of other business entities (customers and counterparties of the Bank), as well as its owners;

Note 3. Basis of preparation of financial statements (continued)

- consistency – the Bank's permanent (year on year) application of accounting policies selected. Changes in the accounting method are possible only in cases stipulated by international standards and national regulations of accounting and require additional justification and disclosures in the financial statements.
- continuity – the Bank's assets are valued on the assumption that the Bank is a going concern and remains active in the boundless future. If the Bank plans to scale down its activities, such intention shall be recorded in the financial statements;
- accruals – income and expenses are reflected in accounting and financial statements at the time of their occurrence, regardless of the date of receipt or payment of funds;
- prevalence of substance over form – transactions are accounted for and disclosed in the reporting in accordance with their essence and economic content, and not only according to their legal form;
- single monetary measurement – measurements and summaries of all the Bank's operations in its financial statements are carried out in a single monetary unit.

There are no plans regarding termination of the Bank's activities. These financial statements have been prepared on the assumption of the Bank's ability to continue as a going concern.

Note 4. Accounting policy**Note 4.1. Base of assessment preparation of financial statement**

Key assessment indicators. Financial assets and liabilities are stated at fair value, historical cost or amortized cost depending on their classification.

Fair value – is the amount on which an asset can be exchanged, or a liability settled during the implementation of an agreement on general conditions between knowledgeable unrelated- parties acting on a voluntary basis. Fair value is the current bid price for financial assets and financial liabilities for the bid listed on the active market. A financial instrument is considered so that is quoted in an active market, if the quotes for this financial instrument are readily and regularly available on the stock exchange or other institution and those prices represent actual and regularly occurring market transactions on general terms.

In the absence of an active market, the basis for determining current fair value is data from the most recent transactions conducted between unrelated parties. Amounts received as a result of forced transactions (such as the forced sale of assets to repay debts, during liquidation, etc.) do not represent fair value. To determine the fair value of financial instruments for which market price information is not available from external sources, valuation techniques such as discounted cash flow analysis and analysis of financial information about the investment objects are used. The application of valuation techniques may require assumptions that are not supported by market data. In the financial statements, such information is disclosed in cases where replacing such an assumption with a reasonably possible alternative could lead to a significant change in profit, income, expenses, or the total amount of assets or liabilities.

Historical cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the acquisition date, which includes transaction costs. Historical cost valuation is applied to equity instruments that do not have a quoted market prices – in an active market, and fair value of which cannot be reliably measured.

Note 4. Accounting policy (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability and that could not have been avoided if the entity had not issued, acquired or sold the financial instrument. Transaction costs include commissions paid to agents, advisers, brokers and dealers, levies on regulatory authorities, stock exchanges, taxes and governmental duties, and other expenses. Transaction costs do not include discounts or premiums on debt financial instruments or administrative expenses.

In addition to assessment methods in recognition of assets, the Bank uses various methods to bring the value of financial instruments and assets to fair value through the accrual of income and expenses, including using the effective interest rate method, formation of special purpose, bank reserves, revaluation to fair value, depreciation of non-current assets, etc.

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, minus the amount of funds received or paid [principal, interest income (expense) or other payments associated with the initiation of the financial asset or financial liability], plus or minus the cumulative amortisation using the effective interest rate of any difference between the amount initially recognised and the maturity amount of the financial instrument, and for financial assets held to maturity, minus the amount of any difference between the amount initially recognised and the amount subsequently amortised.

The effective Interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or amortised cost of the financial liability. The Bank calculates the effective interest rate based on estimated future cash flows considering all contractual terms of the financial asset, excluding expected credit losses.

The accounting policies of the Bank in all significant respects consistent with the requirements of IFRS and the requirements of regulatory legal acts of the National Bank of Ukraine.

Note 4.2. Initial recognition of financial instruments

A financial asset or a financial liability is recognized when the Bank becomes a party to the agreement on this financial instrument. Assets are initially recognized by the Bank in case if bank controls them, bears the risk, expects to gain profit from their use and their cost can be adequately assessed. Liabilities are initially recognized by the bank when they are agreed on by a contract, set by law or potential (IFRS 37) liability, which has a high probability (usually, more than 50%) to cause the decrease in resources that provide profit. Bank recognizes financial assets and liabilities by standard procedures of purchase and sale with the date of the contract.

Upon initial recognition of financial instruments at fair value through profit or loss, the Bank measures them at fair value, net of transaction costs. The Bank records transaction costs on the acquisition of such financial instruments in the accounts on the date they are incurred.

Note 4. Accounting policy (continued)

The Bank measures all other financial instruments at initial recognition at fair value plus transaction costs.

On initial recognition of a financial instrument, the Bank recognises a gain or loss on the difference between the fair value of the financial asset or financial liability and the contractual amount in the discount/premium accounts if the effective interest rate on the

instrument is higher or lower than the market rate. The difference between the fair value of the financial asset or financial liability and the contractual amount in transactions with the bank's shareholders is recognised in equity in accounts of class 5 "Bank's equity" of the Chart of Accounts and included in retained earnings (loss) over the period of its holding or in the total amount on disposal of the financial instrument.

Note 4.3. Classification and evaluation of financial instruments

Classification of financial instruments of the Bank is based on a combination of the business model of financial tool management and characteristics of cash flows.

Types of business models of the Bank:

- 1) Designed to collect cash flows under the agreements that arise from a financial asset (Hold to collect);
- 2) Designed to collect cash flows under the agreements that arise from a financial asset and from their sale (Hold to collect and sell);
- 3) Other models (the remaining one, that is there is no definition of the model at fair value).

The Bank, after initial recognition, evaluates a debt financial asset based on a business mode and characteristics of the cash flows provided for by the agreement, for:

- 1) the depreciated cost (DC);
- 2) the fair value with the price change recognition in other comprehensive income (FVOCI);
- 3) the fair value with the price change recognition through profit/loss (FVPL).

In the absence of an active market, the basis for determining current fair value is data on recent contracts made between unrelated parties. Amounts received during forced transactions (forced sale of property to repay debts, during liquidation, etc.) are not fair value. To determine the fair value of financial instruments for which there is no information on market prices from external sources, valuation techniques such as discounting cash flows and analysis of financial information about investees are used. The application of valuation techniques may require assumptions that are not supported by market data. Information is disclosed in cases where replacing such an assumption with a possible alternative option could lead to a material change in the amount of profit, income, expenses, total assets or liabilities.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus the amount of funds received or paid [principal, interest income (expense) or other payments associated with the initiation of the financial asset or financial liability], plus or minus the amount of cumulative amortisation calculated using the effective interest rate— the difference between the amount initially recognised and the financial asset's or financial liability's redemption amount.

Note 4. Accounting policy (continued)

The historical cost of an asset when it is acquired or constructed is the amount of expenditure incurred to acquire or construct the asset, comprising the consideration given to acquire or construct the asset and transaction costs. The historical cost of a liability when it is incurred or assumed is the amount of consideration received to issue or assume the liability, less transaction costs.

The Bank measures and carries a debt financial asset at amortised cost if all of the following conditions are met:

- 1) the financial asset is withheld within the framework of a business model, which is aimed withholding the financial assets for cash flows provided for by the agreement;
- 2) the financial asset agreement provides for a receipt of cash flows at the specified dates, which are exclusively payments for the principal amount and interest on the outstanding part of the principal amount.

The Bank assesses the debt financial asset at the fair value with the price change recognition in other comprehensive income and records it in its books of account, provided that the following conditions are fulfilled simultaneously:

- 1) the financial asset is withheld within the framework of a business model, the purpose of which is achieved both through a receipt of the cash flows provided by the agreement and through the sale of financial assets;
- 2) the financial asset agreement provides for a receipt of cash flows at the specified dates, which are exclusively payments for the principal amount and interest on the outstanding part of the principal amount.

The Bank assesses all other debt financial assets at the fair value with the price change recognition through profit/loss and records it in its books of account, if such financial assets do not meet the criteria for their subsequent assessment at the depreciated cost or at fair value with the price change recognition through other comprehensive income.

At the initial recognition of a financial asset, the Bank may, at its discretion, classify it, without the right to further reclassification, as being recognized at fair value with the price change recognition through profit/loss, if such classification eliminates or significantly reduces the inconsistency of valuation of assets or liabilities, or recognition of profits and losses associated with them.

Note 4. Accounting policy (continued)*Financial liabilities*

After the initial recognition, the Bank assesses all financial liabilities at depreciated cost and records them in its books of account, except for:

- 1) financial liabilities recognized at fair value with the price change recognition through profit/loss (financial liabilities intended for trading, including derivatives) or those that the Bank determined by its own decision to measure through the FVPL in order to reduce the disparities in the accounting);
- 2) financial liabilities that arise when transfer of a financial asset does not meet the conditions for derecognition or when the principle of continuing participation applies;
- 3) financial guarantee, aval, surety agreements;
- 4) loan commitments at a rate below the market one.

Note 4.4. Impairment of financial assets

While assessing all financial assets bank determines the class of debtor/counterparty based on the evaluation of financial state of the bank debtor/counterparty.

Financial status is considered to be «good» if:

- Class of debtor is in range of 1 to 8 (for legal entities), from 1 to 3 (for individuals, budget institutions and specialized loans);
- No overdue debt
- Debtor complies with terms, agreed upon by the contract
- Growth dynamics of debtor is assessed as positive
- The prerequisites of worsening of debtors' financial state are absent (taking into account their field) or prerequisites for substantial growth of credit risk.

Financial status is considered to be «satisfactory» if (at least one of the criteria):

- Class of debtor is 9 (for legal entities), 4 (for individuals, budget institutions and specialized loans);
- No overdue debt
- Debtor complies with terms, agreed upon by the contract
- Growth dynamics of debtor is assessed as positive, but the growth is slow
- There are prerequisites of worsening of debtors' financial state (taking into account their field) or prerequisites for substantial growth of credit risk.

Financial status is considered to be «unsatisfactory» if (at least one of the criteria):

- Class of debtor is 10 (for legal entities), 5 (for individuals, budget institutions and specialized loans);
- no overdue debt /overdue debt is present
- Debtor does not comply with terms, agreed upon by the contract
- Growth dynamics of debtor is assessed as negative
- There are prerequisites of worsening of debtors' financial state (taking into account their field) or prerequisites for substantial growth of credit risk.

Note 4. Accounting policy (continued)

The Bank recognizes the fair value reserve for the expected credit losses for:

- financial assets assessed at the depreciated cost;
- financial assets assessed at the fair value with the price change recognition through other comprehensive income;
- loan commitments and financial guarantees;
- financial receivables;

The expected losses of the Bank in regard to the reserve formation mean the risk of loss incurred as a result of one or more circumstances:

- failure to fulfil (improper fulfilment) of obligations by the Debtor of the Bank under the active transactions or as a result of failure to fulfil obligations by the Debtor, whose proper fulfilment of obligations is ensured by the obligations assumed by the Bank;
- impairment (decrease in value) of the Bank's financial tools;
- availability and recognition by the Bank of signs indicating a high credit risk and/or default of the Debtor;
- increase in the liabilities and/or expenses of the Bank in comparison with those previously reflected in the accounting.

When assessing financial tools, the Bank applies the model of "Expected Credit Losses" (ECL), which is a recognition of impairment both on financial assets and liabilities, beginning from the date of initial recognition, and provides for 3 stages of impairment:

Stage 1— financial tools without considerable credit risk growth (risk assessment/creation of reserves is carried out within 12 months);

Stage 2— financial tools with considerable credit risk growth (risk assessment/creation of reserve is carried out for the entire duration of the agreement);

Stage 3- impaired financial tools (risk assessment/creation of reserves is carried out for the entire duration of the agreement).

Reserves are divided into:

- the fair value reserves for financial tools of stage 1 of impairment (expected credit losses within- 12 months) – the part of expected credit losses during the whole term of usage of financial instrument, that can occur as a result of default during the next 12 months;
- the fair value reserves for financial tools of stage 2 or 3 of impairment (expected credit losses within the entire validity of the financial asset) – expected credit losses that occur as a result of all possible default scenarios during the expected usage of financial instrument.

The expected credit losses (or fair value reserves) are determined as the weighted average value- of credit losses, determined using the appropriate probabilities of occurrence of default as weighting factors.

If there are signs of a significant increase in the credit risk, the Bank calculates the expected credit losses from impairment of financial assets on individual (for material financial tools) or portfolio (for non-material financial tools) basis using the scenario approach.

Note 4. Accounting policy (continued)

The Bank calculates the amount of expected credit losses from impairment of financial tools for each scenario on individual basis at the reporting date as an amount in excess of the gross carrying amount of the financial asset over the current value of the estimated future cash flows for that asset and from enforcement of the security.

In the short-term transactions with other Debtors and/or active transactions, under which the amount of tranches and the term of their repayment is unknown, the amount of expected credit losses is determined as the product of the probability of default, the gross carrying amount of the financial asset and the level of losses in the event of default.

Note 4.5. Derecognition of financial assets

Financial assets. A financial asset (or, where applicable a part of a financial asset or Bank of similar financial assets) is derecognized when the assets are redeemed or the rights to receive cash flows from the assets have otherwise expired, or the Bank has transferred substantially all the risks and rewards of ownership or has not transferred and retained basically all the risks and rewards of ownership but has ceased to exercise control. Control is retained if a counterparty does not have the practical ability to sell the asset to an unrelated third party without additional- restrictions on resale.

Financial liabilities. A financial liability is derecognized when it is discharged or cancelled or expires. When one existing financial liability is replaced by another to the same lender on substantially different terms, or when the terms of existing liabilities change, the initial liability is withdrawn from the account with subsequent recognition of a new financial instrument, and the difference between the respective carrying amounts is recognized in the statement of comprehensive income.

Note 4.6. Cash and cash equivalents

Cash and cash equivalents. Cash and cash equivalents are assets which can be converted into cash at short notice and which have low risk of change in value. Cash and cash equivalents are unrestricted balances on correspondent accounts with the National Bank of Ukraine and other banks with maturity up to three months, which may be freely converted to the respective amount of cash in a short period of time.

In 2023, the Bank changed its approach to the recognition of NBU deposit certificates, namely, reclassified deposit certificates from the balance sheet item "Investments in securities" to the balance sheet item "Cash and cash equivalent", as NBU deposit certificates are not an investment instrument, but are one of the monetary regulation instruments of the National Bank of Ukraine aimed at absorbing excess liquidity in the banking market. In accordance with IFRS, this change is considered a change in accounting policy. In addition to the changes in the Statement of Financial Position described above, this resulted in changes to the cash equivalents balances in the Statement of Cash Flows (direct method) at the beginning and end of the reporting period, as well as changes to the disclosures in Notes 6 "Cash and cash equivalent" and 8 "Investments in securities".

During the reporting year, deposit certificates of the National Bank of Ukraine were accounted for at amortized cost.

Note 4. Accounting policy (continued)**Note 4.7. Due from other banks**

Funds in other banks are short-term deposits and loans, as well as overnight loans and deposits, for which interest is accrued and provisions for depreciation of possible losses under credit transactions are formed. For the purposes of reporting in "Due from other bank". Bank account balances on correspondent accounts in other banks, on which there is an interest and /or formed provisions for impairment of possible losses on credit operations.

Note 4.8. Loans and advances to customers

Customer loans are financial assets that are not derivatives of financial instruments, with fixed or determined payments, which are not quoted (listed) in an active market, except for assets classified as other categories of financial assets.

Loans granted by the Bank are initially recognized at fair value plus related transaction costs. Subsequently, loans are carried out at amortized cost using the effective interest rate method. Loans to customers are recognized net of any allowance for impairment losses. Interest income and impairment losses are recognized in profit and loss.

Lending commitments. The Bank undertakes credit commitments including financial guarantees. Financial guarantees are irrevocable obligations of the Bank to make payments in the event and on the terms and conditions that the client is unable to fulfil his obligations to third parties. Financial guarantees are subject to the same risk as loans.

Note 4.9. Securities transactions

Securities trading activities are carried out by the Bank in accordance with the license of the National Securities and Stock Market Commission. These operations are performed by the Bank in accordance with the legislation of Ukraine, regulations and duly executed agreements.

During the initial recognition of securities measured at fair value through profit or loss, the Bank measures them at fair value, net of transaction costs. The costs of transactions for the purchase of such securities are reflected in the accounting of expense accounts on the date of their implementation.

All other securities at initial recognition are measured at fair value plus transaction costs.

Securities in the Bank's portfolio that are carried at amortized cost are initially recognized at fair value with the reflection of income and expenses related to the purchase on the discount / premium accounts.

The fair value of the securities at the date of the transaction / reporting date after initial recognition is determined using the following priority methods:

- quotation price of the buyer (last bid price),
- reference to the market price of another similar financial instrument
- on the basis of market yields to maturity resulting from the trading of similar financial instruments for the last month preceding the reporting date,
- on the basis of latest market transactions between interested non-related parties

At each reporting date after recognition, all securities purchased by the Bank are measured at fair value, except:

- securities that are carried at amortized cost;
- shares and other non-fixed income securities carried at fair value through profit or loss, the fair value of which cannot be measured reliably.

Note 4. Accounting policy (continued)

At each subsequent reporting date, securities measured at amortized cost using the effective interest rate are reviewed for impairment (as the difference between the asset's carrying amount and the present value of estimated future cash flows).

The Bank forms provisions for securities issued by non-bank financial institutions. The Bank does not form provisions for securities issued by central executive bodies of Ukraine, central executive bodies of other countries that hold an investment-grade rating according to the international scale, confirmed by Standard & Poor's or an equivalent rating from other leading international rating agencies and the National Bank of Ukraine. Debt on securities recognized by the Bank as bad is written off against the created provisions by the decision of the Management Board of the Bank.

During the reporting year, the Bank's portfolio of securities carried at fair value through other comprehensive income consisted of domestic government bonds and debt securities issued by non-bank financial institutions.

Note 4.9.1. Contracts of sale (purchase) of securities with the obligation to repurchase (sell)

Contracts for the sale (purchase) of securities with the obligation to repurchase (sell) the Bank recognizes as granted (received) a loan secured by securities and accounts for amortized cost. The difference between the sale price and the reverse repurchase price is the interest expense and is recognized in profit or loss over the term of the repurchase agreement using the effective interest rate method.

The Bank continues to recognize securities that have been sold with a repurchase obligation prohibiting the buyer from selling or pledging them in the fair value portfolio, through gains or loss or securities portfolios at fair value through other comprehensive income. If the repurchase agreement gives the buyer the right to sell or pledge the securities, the Bank shall reclassify such securities as securities receivables.

During 2024, the Bank carried out transactions of purchase and sale of securities under repurchase agreements, which were recorded as a credit transaction with interest income recognition and continued recognition of securities in the portfolio, measured at fair value through other comprehensive income from repurchase agreements.

Note 4.9.2. Transactions with own debt securities

The Bank initially measures and reflects in accounting debt financial liabilities for own debt securities (hereinafter— own debt bonds) at fair value, taking into account transaction costs.

When placing own debt bonds, the Bank recognizes profit or loss in the amount of the difference between the fair value of the bonds and the contract value in correspondence with the discount / premium accounts and the accounts for income or expense in the initial recognition of financial liabilities, higher / lower than fair. If information on the fair value of own debt bonds is missing, income or expense is not recognized in the initial recognition of financial liabilities.

The Bank assesses and reflects in the accounting of bonds of own debt at amortized cost the next balance sheet date after recognition. The Bank recognizes in the accounting interest expenses on debt financial obligations on securities of own debt at the effective interest rate.

The Bank pays the income / repayment of amounts on debt financial obligations on own debt securities in time in accordance with the terms of issue of securities according to the register of securities holders, formed by the National Depository, based on the order issued by the Bank.

Note 4. Accounting policy (continued)

Note 4.10. Fixed assets

Fixed assets and other non-current tangible assets are accounted for in accordance with the requirements of the Regulations on financial accounting of fixed assets and intangible assets. The fixed assets are recognized by the Bank at the historical cost. The cost of acquired fixed assets and other non-current tangible assets includes all expenses associated with the acquisition, delivery, installation and putting into operation. Administrative and other expenses not directly related to an acquired asset or its putting into operation were not included to the historical cost of an asset. Asset's current repair and maintenance expenses expensed as incurred and do not affect the carrying amount of non-current assets.

Depreciation is calculated on a straight-line basis. Depreciation starts from the first day of the month following the reporting one, in which the object of fixed assets and intangible assets became suitable for beneficial use and stops on the next month to retiring of the object of fixed assets and intangible assets. Depreciation of the object of fixed assets and intangible assets is counted based on the new useful life, starting from the month following the month of change of useful life.

In the estimation of the useful lives of the assets the following criteria were taken into account: expected useful life of an object, taking into account it's capacity; useful life of similar assets; estimated deterioration of the asset; legal and other constrictions regarding the useful life of an asset and other factors. Useful life of a fixed asset is re-estimated in case of change in expected profits from its use.

Note 4.11. Intangible assets

Intangible assets are measured and accounted for at cost, which comprise the actual cost of acquisition (production) and bringing to a state in which they are suitable for use according to the intended purposes.

Depreciation is calculated monthly using a straight-line method under the norms set according to useful lives of corresponding assets. The useful life of an intangible asset is established by the Bank independently taking into account the following criteria: prior experience operating with similar assets, current trends in software development, performance characteristics.

Finite useful lives of intangible assets are approved by the commission of the Bank, but not more than 10 years. The largest share of intangible assets constitutes assets with useful lives of 10 years.

During the reporting year as per meeting constant Fixed assets and intangible assets inventory commission decided on setting new term of effective use of individual intangible assets as a result of regular changes to software and changes in assessment of profits from its usage (starting from 27.05.2023), based on the estimate of their depreciation, power output and productivity.

Note 4.12. Leases.

The lease is concluded by a contract which gives the user (the lessee) the right to control the use of the asset (the underlying asset) for a certain period in exchange for compensation.

Note 4. Accounting policy (continued)

The Bank assesses the lease as a whole or individual components as a lease, if the asset is identified, the Bank is entitled to receive virtually all economic benefits from the use of the identified asset throughout its useful life, the Bank is given the right to determine how the asset is used in exchange for compensation, the lessor does not have a material right to replace the asset during its useful life.

The Bank uses the practical expedient of not recognizing the right to use the lease assets and liabilities for short-term leases with a term not exceeding 12 months from the date of its first use, as well as for the lease of low value assets. Lease payments under such contracts are recognized as an operating expense over the life of the contract. A lease that contains acquisition opportunities is not a short-term lease.

In other cases, the Bank, as a lessee, recognizes the lease asset (lease obligation) at the effective date of the lease. The Bank initially recognizes an asset at right-of-use value, which includes the amount of the initial estimate of the lease liability, the lease payments made on or before the lease date, less the incentive lease received, the initial direct costs incurred by the Bank, costs incurred for dismantling, moving, and bringing the underlying asset to the condition required by the terms and conditions of the lease.

The Bank recognizes the lease liability at the present value of the lease at the present value of the lease payments not paid at that date. The lessee discounts the payment for the right to use the underlying asset for the lease term (lease payments), using the interest rate specified in the lease. The tenant applies the NBU discount rate if the rate is not specified in the lease agreement.

The net present value of the lease payments is recognized as a financial liability. The rent payments themselves are divided into principal and interest payments using the effective interest method. If the lease payment includes a VAT amount, the Bank displays the VAT amount in separate account.

The right to use the assets is amortized on a straight-line basis over the lease term. If the amount of the lease payments is expected to change, the obligation is revalued, such adjustment is made together with a corresponding recalculation of the right to use the assets value.

Note 4.13. Derivative financial instruments.

A derivative financial instrument is a financial instrument or other contract with the following characteristics: its value changes in response to the change in a specified interest rate, financier instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; it requires no initial net investment that is smaller than would be required for other type of contracts that would be expected to have a similar response to changes in market factors; it is settled at a future date.

A derivative instrument is recognized as a financial asset or financial liability on the date of the obligation regarding purchase or the sale of a contract subject. Derivative financial instruments include currency SWAPs, forward transactions, foreign exchange SPOT transactions and combinations of these instruments.

Derivative financial instruments are recognized at fair value through profit or loss. Derivatives are carried as assets when their fair value is positive or as liabilities when their fair value is negative. The fair value of derivatives that are not sold and not acquired in an active market is determined using valuation techniques.

Note 4. Accounting policy (continued)**Note 4.14. Funds raised**

Due to other banks are recognized from the moment cash is provided to the Bank by counterparty banks. Non-derivative financial liabilities are accounted for at amortized cost.

Due to customers comprise non-derivative financial liabilities to government and corporate customers, individuals, and are accounted for at amortized cost.

The Bank recognizes interest expenses on borrowed funds at least once a month in profit or loss and other comprehensive income (Statement of comprehensive income).

Note 4.15. Provisions for liabilities

Provisions for liabilities are determined and recognized in the financial statements when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Note 4.16. Income tax

Current income tax expense is determined based on tax laws and current tax rates for the period in which the income is earned.

Current income tax and deferred income tax are determined and recognized in the financial statements separately.

Current income tax and deferred income tax are recognized as expenses in the Statement of Financial Results, except for accrued income tax as a result of revaluation of assets to fair value, which is reflected in the composition of the Bank's capital.

Deferred taxes are recognized when there is a temporary difference between the carrying amount of the asset or liability in the statement of financial position and its tax base.

Deferred tax liabilities are recognised for all deductible temporary differences that are taxable in the future. Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry forwards and are recorded to the extent that it is probable that it is probable that taxable profit will be available against which the deductible differences can be utilised or the tax loss carry forwards can be utilised.

Deferred tax assets and liabilities are measured using the balance sheet liability method at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date of that period. Deferred tax assets and liabilities are not discounted.

Note 4.17. Share capital

Share capital represents the shareholders' obligations to contribute funds by subscription to the share capital, the amount of which is registered in accordance with the procedure established by the legislation of Ukraine.

In accordance with the Laws of Ukraine "On Banks and Banking" and "On Joint Stock Companies" and the Bank's charter, the decision to issue shares is made by the General Meeting of Shareholders.

Note 4. Accounting policy (continued)**Note 4.18. Dividends**

Dividends represent a portion of the Bank's profit distributed between the Shareholders based on each of their shares to the extent determined by the General Meeting of the Shareholders within a period not later than six months after the end of the reporting year. Bank pays dividends entirely in cash.

Note 4.19. Income and expenses recognition

Income and expenses are recognized according to the principles of accrual, correspondence of income and expenses, prudence.

Income and expenses are recognized by the Bank, provided there is a high probability that the Bank will receive economic benefits.

As a result of operating activities, the following income and expenses arise at the Bank:

- interest income and expenses;
- fee and commission income and expenses;
- profits (losses) on trading transactions;
- profits (losses) from the impairment of financial assets;
- dividend yield;
- income from repayment of assets previously written off;
- Employee benefit expenses;
- Depreciation and amortization expenses;
- Administrative and other operating expenses and income;
- income tax.

Interest income and expenses are operating income and expenses obtained (paid) by the Bank for the use of cash, cash equivalents or amounts owed to the Bank (raised by the Bank), amount of which are calculated in proportion to time using the effective interest rate. They include:

- income (expenses) from operations with funds placed in other banks (attracted from other banks);
- income (expense) on loans and deposits granted (received) to legal entities and individuals, and on other financial instruments, including securities;
- income in the form of a discount (premium) amortization.

Interest and related commissions are charged at least once a month, irrespective of the actual frequency of settlements with a counterparty stipulated by an agreement.

Fee and commission income and expenses (hereinafter- "the commissions") — operating income and expenses for provided (received) services, the amount of which is calculated in proportion— to the amount of an asset or liability, or is fixed. The commissions for provided (received) services depending on the purpose of evaluation and accounting base of an associated financial- instrument are divided into:

- the commissions that are an essential part of income (expenses) of a financial instrument;
- the commissions received (paid) at the time-of-service provision are recognized as income (expenses);
- the commissions received (paid) after certain actions are recognized as income (loss), after completion of a certain operation.

Note 4. Accounting policy (continued)

Commission income (expenses) for services that are provided continuously (settlement and cash service) were accounted for throughout the term of the agreement. The Bank recognizes income (expenses) for one-time services [for example, commissions for currency exchange, provision (consultations)] without reflection in the accounts of accrued income (expenses), if the funds received (paid) in the reporting period in which the services are actually provided (are obtained).

Profits (losses) from trading operations— a result (profit or loss) from operations of purchase and sale of various financial instruments. The Bank recognizes profits and losses regarding securities— transactions, foreign currency transactions, banking metals transactions from:

- sale of financial investments;
- changes in valuation (revaluation) of investments to fair value;
- assets and liabilities revaluation result in foreign currency and banking metals in case of a change of the official UAH rate against foreign currencies (bank metals).

Gains (losses) on impairment of financial assets – losses incurred in respect of the Bank's assets and write-off of unrecoverable assets.

Dividend income is income arising from the Bank's use of non-fixed income securities.

Income from repayment of assets previously written off are the funds obtained for debt repayment recognized by the Bank as a bad debt.

Employee benefit expenses - expenses for the Bank's employees (salaries, social security expenses, mandatory contributions, insurance, fringe benefits, bonuses, training, etc.).

Depreciation and amortization costs are the systematic distribution of the value of fixed assets and intangible assets that are amortized over their useful life (use).

Administrative and other operating expenses and income - income and expenses from operations that are not related to investing and financing activities, as well as those not included in the above groups of operating income and expenses, in particular:

income (expenses) from operating leasing (rent); expenses for audit services; collection expenses; income from derecognition of financial liabilities, forfeits (fines, penalties) received (paid) under banking transactions, etc.

Administrative expenses are operating expenses associated with supporting the Bank's activities. These include staff costs (salaries, social security costs, mandatory charges, insurance, additional payments, bonuses, training, etc.); amortization of intangible assets; costs of maintenance and operation of fixed and intangible assets (repairs, insurance); other operating expenses (utilities, security, etc.); fees for professional services (legal, etc.); communication costs (postage, telephone, etc.); payment of taxes and other mandatory payments, other than income tax, and other expenses aimed at maintenance and management of the Bank.

Income tax is the Bank's operating expenses related to the payment of tax in accordance with the current legislation of Ukraine and taking into account the requirements of international accounting standards and national accounting regulations (standards) for the recognition of deferred tax liabilities and tax assets.

Note 4. Accounting policy (continued)

Income and expenses recognized by the Bank are grouped according to their nature under the corresponding line items in the financial statements "Statement of profit or loss and other comprehensive income". In order to determine the financial result of the reporting period, the income of the reporting period should be compared with the expenses incurred to obtain this income. In this case, income and expenses are recognized in accounting and reporting when they occur, regardless of the date of receipt or payment of money, in compliance with the principles of accrual, relevance and prudence.

Note 4.20. Foreign currency revaluation

Income and expenses in foreign currencies were disclosed in the statement of comprehensive income at the official foreign exchange rate set by the National Bank of Ukraine at the transaction date. Foreign exchange differences arising in respect of foreign currency transactions are recognized as income or expenses of the reporting period.

The Bank's assets and liabilities in foreign currencies are stated at the official foreign exchange rate as at the reporting date.

The official foreign exchange rates as at 31 December 2024 were as follows:

840=USD=100=4203,90 UAH

978=EUR=100=4392,66 UAH

Monetary balance sheet items in foreign currencies are accounted for using the current foreign exchange rate; non-monetary items stated at historical cost, deposit of which to the balance is related to a foreign currency transaction, are accounted for at the foreign exchange rate at a transaction date. All foreign currency accounts are revalued every time the official foreign currency rate of the National Bank of Ukraine changes. The Bank's management policy on the risk of losses due to changes in foreign exchange rates is disclosed in the General Information on the Bank's activities in 2024 and in the note "Financial Risk Management".

Note 4.21. Mutual offset of assets and liabilities

Financial assets and liabilities with subsequent inclusion in the statement of financial position of only their net amount can be mutually offset only if there is a legally enforceable right to offset the recognized amounts, if there is an intention to settle a transaction on a net basis or to realize simultaneously an asset and settle a liability.

The Bank did not offset assets and liabilities during the reporting period.

Note 4.22. Employee benefits and related charges

The Bank recognises employee benefits expense at least monthly in the Statement of Profit or Loss and Other Comprehensive Income. Such benefits include basic and additional salaries, annual basic and additional leave, compensation for the first 5 days of temporary disability, bonuses and performance-related remuneration, expenses for provision for unused vacation time, expenses for non-state pension benefits for the Bank's employees, as well as payroll taxes and unified social security contributions.

Note 4. Accounting policy (continued)**Note 4.23. Business segment reporting**

The Bank's activity primarily focuses on one business segment, namely treasury operations, which includes:

- activities in the monetary market regarding attraction and investment of funds in the interbank market of Ukraine;
- foreign exchange market services including foreign currency transactions at the customers' disposal and at the Bank's expense.

Other operations comprised assets (liabilities) not included in the main segment, such as cash, correspondent accounts in the National Bank of Ukraine, liabilities related to the administrative and economic activities of the Bank, settlements with employees, settlements in respect of taxes and levies to the state and local budgets, to the Pension Fund, other extra budgetary funds.

During 2024, the Bank did not apply transfer pricing methods in the preparation of financial statements by business segments, given the characteristics of the organizational structure.

Note 4.24. Significant accounting estimates and assumptions

The Bank in its operational, financial, investment and economic activities makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually revised and are based on the Management's experience and other factors, including — expectations of future events that are considered to be reasonable for the circumstances. In addition to the judgments that provide for estimates, the Management also uses assumptions in applying the accounting policies. The results of review of estimates and assumptions are recognized in the review period and valid until the next revision of estimates and assumptions.

Professional assumptions that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause significant adjustments to the carrying amount of assets and liabilities within subsequent financial periods include:

Related party transactions

In the normal course of business, the Bank enters into transactions with related parties. In the absence of an active market for such transactions, assumptions are used. The basis for assumptions is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Cost of financial instruments

The Bank shall account for financial instruments at fair value upon their initial recognition. In the absence of an active market for a particular financial instrument, the Bank uses its professional judgement to arrive at a market (non-market) rate based on transactions between independent, knowledgeable and willing parties, which are all parties to the Bank's transactions.

Going concern

The fundamental assumption in preparing the financial statements is the going concern basis of accounting— the Bank assumes that it will continue in operation for the foreseeable future and has no intention or need to liquidate or significantly reduce its operations.

Note 4. Accounting policy (continued)**Note 4.25. Related party transactions**

During 2024, the Bank carried out transactions with related parties, detailed information regarding which is disclosed in the Note 33 "Related party transactions".

Note 5. New and amended standards**STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 «The Effects of Changes in Foreign Exchange Rates» to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Bank's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 «Presentation of Financial Statements». IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

Note 5. New and amended standards (continued)

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be able to apply IFRS 19, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 - Current/noncurrent classification of liabilities

The amendments to IAS 1 Presentation of Financial Statements clarify the classification of liabilities as non-current. A liability is classified as non-current if the entity has a right to defer settlement of the obligation for at least 12 months and that right exists at the end of the reporting period, regardless of whether the entity expects to exercise the right. If the right to defer settlement of a liability is conditional on the entity meeting certain conditions, the right exists at the end of the reporting period only if the entity has met all of the conditions by that date.

These amendments did not have any impact on the Bank's financial statements.

Amendments to IAS 1 - Non-current Liabilities with Covenants

The amendments to IAS 1 Presentation of Financial Statements clarify that an entity may classify liabilities arising from a loan agreement as non-current if the entity's right to defer repayment of those liabilities is conditional on the fulfilment of specific conditions within 12 months after the end of the reporting period.

Also, the notes to the financial statements must disclose information that will enable users to understand the risk that liabilities may be recoverable within 12 months after the end of the reporting period.

These amendments did not impact the Bank's financial statements.

Amendments to IFRS 16- Lease liability measurement in sale and leaseback

According to the amendments to IFRS 16 "Leases", seller-lessees will be required to remeasure or restate sale and leaseback agreements entered into since 2019.

These amendments did not impact the Bank's financial statements.

Note 5. New and amended standards (continued)**Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements**

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the Bank's consolidated financial statements.

(in UAH thousand)

Note 6. Cash and cash equivalents

	2024	2023
Cash with the National Bank of Ukraine	58 582	55 516
Correspondent accounts at other banks:	198 049	246 397
- Ukraine	198 049	246 397
NBU deposit certificates	250 092	310 853
Allowance for ECL	(30 818)	(49 081)
Total cash and cash equivalents	475 905	563 685

The Bank's cash balances are kept on correspondent accounts with banks resident in Ukraine that are not bankrupt or in the process of liquidation and are not in temporary administration.

Note 7. Loans and due from customers**Note 7.1. Loans and due from customers**

	2024	2023
Loans and due from customers carried at amortized cost	62 218	74 747
Allowance for ECL	(3 486)	(11 459)
Total loans to customers less allowance for ECL	58 732	63 288

Table 7.2. Loans and due from customers carried at amortized cost

	2024	2023
Loans to legal entities	62 218	73 211
Loans to individuals	-	1 536
Allowance for ECL	(3 486)	(11 459)
Total loans to customers less allowance for ECL	58 732	63 288

The loan portfolio currently forms less than 5% of assets. Lending to customers is of a batch nature. The concentration of the loan portfolio by main borrowers remains relevant. At the same time, the credit portfolio of business entities is diversified by types of economic activity. The currency structure of the client credit portfolio did not change during the analysed period.

Table 7.3. Analysis of credit quality of loans and advances to customers carried at amortised cost as at December 31, 2024

	Stage 1	Stage 2	Stage 3	Total
Performing assets	38 729	-	-	38 729
Low credit risk	38 729	-	-	38 729
Medium credit risk	-	-	-	-
High credit risk	-	-	-	-
Non-performing assets*	-	-	23 489	23 489
Total loans and due from customers	38 729	-	23 489	62 218

* Assets, for which the class of debtors/counterparties is defined as the lowest, are non-operating assets.

(in UAH thousand)

Note 7. Loans and due from customers (continued)**Table 7.4. Analysis of credit quality of loans and advances to customers carried at amortised cost as at December 31, 2024**

	Stage 1	Stage 2	Stage 3	Total
Performing assets	38 750	-	-	38 750
Low credit risk	38 750	-	-	38 750
Medium credit risk	-	-	-	-
High credit risk	-	-	-	-
Non-performing assets*	-	-	35 997	35 997
Total loans and due from customers	38 750	-	35 997	74 747

* Assets, for which the class of debtors/counterparties is defined as the lowest, are non-operating assets.

Table 7.5. Analysis of changes in provisions for impairment of loans and due from customers carried at amortized cost

	Stage 1	Stage 2	Stage 3	Total
ECL as at 01.01.2023	(1 557)	-	(17 683)	(19 240)
(Increase)/decrease in ECL during the year	(1 516)	-	9 297	7 781
ECL as at 31.12.2023	(3 073)	-	(8 386)	(11 459)
(Increase)/decrease in ECL during the year	(413)	-	8 386	7 973
ECL as at 31.12.2024	(3 486)	-	-	(3 486)

The amount of the decrease of the provision UAH 7 973 thousand is an integral part of the amount UAH 26 235 thousand in the «Statement of profit or loss and other comprehensive income» («Net increase/(decrease) in provisions for impairment of financial assets»)

Table 7.6 Loan structure by types of economic activities

	2024		2023	
	Amount	%	Amount	%
Wholesale trade, except of motor vehicles and motorcycles	38 729	62	37 214	51
Real estate activities	23 489	38	35 997	49
Total loans and due from customers less allowance for ECL	62 218	100	73 211	100

Table 7.7. Information on loans by type of collateral as at December 31, 2024

	Loans to legal entities	Loans to individuals	Total
Loans unsecured	38 729	-	38 729
Loans secured by:	23 489	-	23 489
- real estate:	23 489	-	23 489
including residential purposes	-	-	-
Total loans and due from customers less allowance for ECL	62 218	-	62 218

(in UAH thousand)

Note 7. Loans and due from customers (continued)**Table 7.8. Information on loans by type of collateral as at December 31, 2023**

	Loans to legal entities	Loans to individuals	Total
Loans unsecured	37 214	-	37 214
Loans secured by:	35 997	1 536	37 533
- real estate:	35 997	1 536	37 533
including residential purposes	-	1 536	1 536
Total loans and due from customers less allowance for ECL	73 211	1 536	74 747

The value of collateral in this note is stated in the amount of future expected flows from the collateral, taking into account the liquidity ratio of the collateral and costs of its sale, in accordance with the Bank's internal regulations.

Table 7.9. Impact of collateral value on loan quality as at December 31, 2024

	Carrying amount	Expected cash flows from sale of collateralized provisions	Collateral impact
Loans to legal entities	62 218	23 489	38 729
Loans to individuals	-	-	-
Total loans	62 218	23 489	38 729

Table 7.10. Impact of collateral value on loan quality as at December 31, 2023

	Carrying amount	Expected cash flows from sale of collateralized provisions	Collateral impact
Loans to legal entities	73 211	35 997	37 214
Loans to individuals	1 536	1 536	-
Total loans	74 747	37 533	37 214

When calculating the allowance for impairment of financial instruments to comply with the principle of prudence, the Bank only considers highly liquid collateral, enforced collection of which is more reliable.

(in UAH thousand)

Note 8. Investment in securities**Table 8.1 Investment in securities**

	2024	2023
Securities carried at fair value through other comprehensive income	857 411	655 212
Total securities	857 411	655 212

Table 8.2 Securities carried at fair value through other comprehensive income

	2024	2023
Government bonds	814 550	655 212
Bonds of enterprises	42 861	-
Provision for debt securities carried at fair value through other comprehensive income	-	-
Total securities	857 411	655 212

Government bonds are carried at fair value through other comprehensive income and comprise accrued interest accrued in the amount of UAH 22 028 thousand as at 31.12.2024.

Table 8.3. Analysis of the credit quality of investments in securities carried at fair value through other comprehensive income as at December 31, 2024

	Stage 1	Stage 2	Stage 3	Total
Performing assets				
Minimum credit risk*	810 211	-	-	810 211
Low credit risk	47 200	-	-	47 200
Medium credit risk	-	-	-	-
High credit risk	-	-	-	-
Non-performing assets	-	-	-	-
Total securities	857 411	-	-	857 411

Table 8.4. Analysis of the credit quality of investments in securities carried at fair value through other comprehensive income as at December 31, 2023

	Stage 1	Stage 2	Stage 3	Total
Performing assets				
Minimum credit risk*	613 780	-	-	613 780
Low credit risk	41 432	-	-	41 432
Medium credit risk	-	-	-	-
High credit risk	-	-	-	-
Non-performing assets	-	-	-	-
Total securities	655 212	-	-	655 212

Note 9. Derivative financial assets**Table 9.1. Financial assets at fair value through profit or loss**

	2024	2023
Assets under forward agreements	-	17
Total financial assets at fair value through profit or loss	-	17

(in UAH thousand)

Note 10. Fixed and intangible assets.

As at 31.12.2024, the Bank has no:

- fixed assets, possession, use or disposal of which is restricted by the current legislation;
- fixed assets pledged, withdrawn from service, temporarily not used or transferred to assets for sale;
- intangible assets, ownership of which is restricted or property rights are not registered;
- increase or decrease arising from revaluations and as a result of impairment losses recognized or created directly in equity.

Table 10.1. Fixed and intangible assets

	Machinery and equipment	Instruments, fixtures and fittings	Other fixed tangible assets	Intangible assets	Total
Carrying amount as at December 31, 2022	3 722	6	-	1 762	5 490
Initial cost	6 201	355	1 140	4 080	11 776
Depreciation	(2 479)	(349)	(1 140)	(2 318)	(6 286)
Additions	1 797	-	38	-	1 835
Capital expenditure on additions to property, plant and equipment and improvements to intangible assets	68	-	-	5 025	5 093
Disposals*	(1 566)	-	-	-	(1 566)
Depreciation	(880)	(6)	(38)	(685)	(1 609)
Carrying amount as at December 31, 2023	3 141	-	-	6 102	9 243
Initial cost	6 500	355	1 178	9 105	17 138
Depreciation	(3 359)	(355)	(1 178)	(3 003)	(7 895)
Additions	3 819	-	47	-	3 866
Capital expenditure on additions to property, plant and equipment and improvements to intangible assets	166	-	-	7 090	7 256
Depreciation	(1 376)	-	(47)	(1 661)	(3 085)
Carrying amount as at December 31, 2024	5 750	-	-	11 530	17 280
Initial cost	10 485	355	1 225	16 194	28 259
Depreciation	(4 735)	(355)	(1 225)	(4 664)	(10 979)

* In 2023, the Bank provided charitable assistance to the Armed Forces of Ukraine in the form of a donation of fixed assets.

(in UAH thousand)

Note 10. Fixed and intangible assets (continued)**Table 10.2. Right-of-use assets**

	Real estate (lease)	Total
Carrying amount as at December 31, 2022	-	-
Initial cost	-	-
Depreciation	-	-
Additions	878	878
Disposals	(809)	(809)
Carrying amount as at December 31, 2023	69	69
Initial cost	878	878
Depreciation	(809)	(809)
Additions	1 227	1 227
Disposals	(1 179)	(1 179)
Carrying amount as at December 31, 2024	48	48

Note 11. Other financial assets**Table 11.1. Other financial assets**

	2024	2023
Accrued income for services	-	49
Provisions for impairment of other assets	-	-
Total other financial assets less provisions		49

Table 11.2. Analysis of changes in provisions for impairment of other assets

	Prepayments for services	Total
Carrying amount as at December 31, 2022	(1)	(1)
(Increase)/decrease of the provisions during the period	1	1
Carrying amount as at December 31, 2023	-	-
(Increase)/decrease of the provisions during the period	-	-
Carrying amount as at December 31, 2024	-	-

(in UAH thousand)

Note 12. Other assets

	2024	2023
Deferred expenses	6 415	11 323
Other	1	1
Provisions for other assets	-	-
Total other assets less provisions	6 416	11 324

Note 13. Due to customers**Table 13.1 Due to customers**

	2024	2023
State organizations:	3 325	8
-currents accounts	3 325	8
-term deposits	-	-
Other legal entities:	877 481	762 130
-current accounts	638 669	533 175
-term deposits	238 812	228 955
Individuals:	139 453	109 814
-current accounts	132 505	94 174
-term deposits	6 948	15 640
Total due to customers	1 020 259	871 952

Table 13.2 Distribution of due to customers by type of economic activity

	2024		2023	
	Amount	%	Amount	%
Financial and insurance activities	160 805	15,76	137 602	15,78
Services (financial)	461 903	45,27	416 448	47,76
Information and telecommunications	0	0,00	0	0,00
Trade	130 069	12,75	138 276	15,86
Agriculture and fisheries	62 565	6,13	1 869	0,21
Warehousing and support activities in the field of transport	3 630	0,36	141	0,02
Extraction	0	0,00	0	0,00
Construction	1 863	0,18	30 351	3,48
Electricity supply	5 266	0,52	1 014	0,12
Consulting activities	4 962	0,49	21 788	2,50
Activities of public organizations	3 325	0,33	8	0,00
Manufacturing	25 987	2,55	7 047	0,81
Health care	0	0,00	0	0,00
Property transactions	1 855	0,17	2 094	0,24
Individuals, including non-residents	139 453	13,67	109 814	12,59
Non-resident investors	18 576	1,82	5 500	0,63
Total due to customers	1 020 259	100	871 952	100

(in UAH thousand)

Note 14. Debt securities issued by the bank

	2024	2023
Bonds (Series A)	4 686	4 702
Bonds (Series B)	2 615	2 612
Total	7 301	7 314

Series A (maturity until 08.04.2026 inclusive). The interest rate on the Series A bonds is set at:

- 10.0% (ten per cent) per annum in UAH for 1-4 per cent periods;
- 11.0% (eleven per cent) per annum in UAH for 5-8 interest periods
- 20.0% (twenty per cent) per annum in UAH for 9-12 interest periods
- 18.0% (eighteen per cent) per annum in UAH for 13-16 interest periods

Series B (maturity until 07.04.2027 inclusive). The interest rate on the Series B bonds is set at

- 11.0% (eleven per cent) per annum in UAH for 1-8 interest periods;
- 20.0% (twenty per cent) per annum in UAH for 9-16 interest periods.

Note 15. Derivative financial liabilities

	2024	2023
Liabilities under forward agreements	-	-
Liabilities under contracts under terms of SWAP	-	1 137
Total financial liabilities at fair value through profit or loss	-	1 137

Note 16. Provisions for liabilities

	Loan liabilities	Total
Opening balance	844	844
Formation and / or decrease (increase in reserve)	(264)	(264)
Closing balance	580	580

Provisions for liabilities consist of reserves for possible impairment losses on provided financial guarantees with maturity in 2025.

(in UAH thousand)

Note 17. Other financial liabilities

	2024	2023
Accounts payable for transactions with foreign currency	1	1
Other financial liabilities	6 680	-
Total	6 681	1

Note 18. Other liabilities

	2024	2023
Accounts payable in settlements with bank employees	22 110	16 600
Accounts payable for taxes and fees, except income tax	245	120
Accounts payable for transactions with customers	28	145
Accrued costs for telecommunications and maintenance services	151	39
Accounts payable on right-of-use assets	77	77
Accounts payable for other accrued expenses	69	42
Total	22 680	17 023

(in thousands of units)

Note 19. Share capital

	Number of shares in circulation	Ordinary shares	Preferred shares	Total
Balance as at January 1, 2024	122 000	122 000	-	122 000
Contributions on shares (units, shares) of the new issue	-	-	-	-
Balance as at December 31, 2024	122 000	122 000	-	122 000

As of December 31, 2024, the authorized capital of the Bank is UAH 231 800 thousand. The authorized capital of the Bank is divided into 122,000 ordinary registered shares. The nominal value of a simple registered share as of 31.12.2024 is UAH 1 900. Ordinary shares entitle the shareholder to participate in the management of the Bank, receive dividends, exercise the pre-emptive right to purchase additional shares, if such shares are placed by private placement, disposal of shares owned by each shareholder, receiving part of the Bank's property or its value in case of liquidation. One ordinary share gives the right to one vote to resolve each issue at the General Meeting of Shareholders, except in cases of cumulative voting. Dividends are paid to shareholders based on each share of a certain type due to them from the net profit of the reporting year and/or retained earnings in the amount established by the decision of the General Meeting of Shareholders within six months after the end of the reporting year. The Bank pays dividends exclusively in cash.

There were no repurchases of own shares during the reporting period.

(in UAH thousand)

Note 20. Revaluation reserves (components of other comprehensive income)

	2024	2023
Revaluation of debt financial instruments	(1 494)	(4 135)
Income tax relating to items of other comprehensive income that will be reclassified to profit or loss	747	1 033
Total revaluation reserves	(747)	(3 102)

(in UAH thousand)

Note 21. Analysis of assets and liabilities by maturities

	Note	2024			2023		
		Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Assets							
Cash and cash equivalents	6	475 905	-	475 905	563 685	-	563 685
Loans and due from customers	7	35 243	23 489	58 732	34 141	29 147	63 288
Investments in securities	8	814 550	42 861	857 411	655 212	-	655 212
Derivative financial assets	9	-	-	-	17	-	17
Deferred tax asset	25	448	-	448	606	-	606
Fixed assets	10	-	17 280	17 280	-	9 243	9 243
Right-of-use assets	10	48	-	48	69	-	69
Other financial assets	11	-	-	-	49	-	49
Other assets	12	6 069	347	6 416	7 617	3 707	11 324
Total assets		1 332 263	83 977	1 416 240	1 261 396	42 097	1 303 493
Liabilities							
Due to customers	13	1 020 259	-	1 020 259	871 952	-	871 952
Debt securities issued by the bank	14	-	7 301	7 301	-	7 314	7 314
Derivative finance liabilities	15	-	-	-	1 137	-	1 137
Current income tax liabilities		2 455	-	2 455	61 584	-	61 584
Other financial liabilities	17	6 681	-	6 681	1	-	1
Other liabilities	18	22 680	-	22 680	17 023	-	17 023
Liability provisions	16	580	-	580	844	-	844
Total liabilities		1 052 655	7 301	1 059 956	952 541	7 314	959 855

(in UAH thousand)

Note 22. Interest income and expenses

	2024	2023
INTEREST INCOME CALCULATED AT THE EFFECTIVE INTEREST RATE		
Interest income on financial assets carried at amortized cost		
Loans and due from customers	9 293	9 536
Loans and due from banks	-	3 266
Correspondent accounts in other banks	-	140
Deposit certificates, bonds of Bank	31 675	231 171
Total interest income on financial assets carried at amortized cost	40 968	244 113
Interest income on financial assets carried at fair value through other comprehensive income		
Debt securities	110 375	96 747
Total interest income on financial assets carried at fair value through other comprehensive income	110 375	96 747
Total interest income calculated at the effective interest rate	151 343	340 860
INTEREST EXPENSES CALCULATED AT THE EFFECTIVE INTEREST RATE		
Interest expense on financial liabilities carried at amortized cost		
Deposits of other banks	(536)	(404)
Current accounts	(21 646)	(30 238)
Deposits of legal entities	(16 759)	(11 405)
Due to individuals	(4 382)	(2 196)
Debt securities issued by the bank	(1 338)	(1 225)
Other funds raised	-	(33)
Lease liabilities	(89)	(108)
Other	-	-
Total interest expense calculated at the effective interest rate	(44 750)	(45 609)
Net interest income	106 593	295 251

Compared to the result of 2023, there was a decrease in net interest income.

Note 23. Commission income and expenses

	2024	2023
Commission income		
Settlement operations	12 070	5 623
Commissions on foreign exchange transactions	2 418	2 527
Commission income from guarantee operations	189	133
Other	17	9
Total commission income	14 694	8 292
Commission expenses		
Settlement operations	(1 407)	(1 223)
Transactions with securities	(19)	(17)
Other	(13)	(9)
Total commission expenses	(1 439)	(1 249)
Net commission income	13 255	7 043

Compared to 2023, there was an increase in net commission income.

(in UAH thousand)

Note 24. Administrative and other operating expenses**Table 24.1 Employee benefit costs**

	2024	2023
Salaries and bonuses	(57 602)	(42 077)
Accrual on the salary fund	(6 727)	(5 227)
Other payments to employees	(656)	(849)
Total employee benefit costs	(64 985)	(48 153)

Table 24.2 Depreciation costs

	2024	2023
Depreciation of fixed assets	(1 377)	(1 277)
Depreciation of software and intangible assets	(1 708)	(724)
Depreciation of right-of-use assets	(870)	(809)
Total depreciation costs	(3 955)	(2 810)

Table 24.3 Other administrative and operating expenses

	2024	2023
Staff remuneration costs	(8 729)	(2 783)
Expenses for maintenance of fixed assets and intangible assets	(5 994)	(4 116)
Payment of other taxes and mandatory payments, except income tax	(236)	-
Telecommunication services	(6 091)	(4 344)
Audit costs	(864)	(954)
Costs of data storage services	(4 948)	(4 099)
Costs of operating and business services	(9 539)	(2 145)
Charity	(26 789)	(103 099)
Other	(3 522)	(2 609)
Total administrative and other operating expenses	(66 712)	(124 149)

The average number of the Bank's staff in 2024 was 32.

Expenses for payments to employees and staff:

- expenses for basic and additional salaries in the amount of – UAH 40 640 thousand;
- single contribution to the obligatory state insurance – UAH 6 726 thousand;
- expenses for the creation of a reserve for unused vacations – UAH 4 762 thousand;
- contributions to the non-state pension provision of employees- UAH 252 thousand;
- expenses for the payment of staff remuneration under contracts – UAH 8 021 thousand;
- expenses of voluntary medical and other types of insurance for employees – UAH 1 100 thousand.

In 2024, remuneration was paid to the members of the Supervisory Board (6 persons) in cash in the amount of UAH 6 543 thousand (2023: UAH 1 740 thousand), in terms of the following components: a variable in quality of compensation for tax deductions for voluntary liability insurance – UAH 224 thousand (2023: UAH 117 thousand), fixed – UAH 6 319 thousand (2023: 1 623 thousand). Remuneration in kind to the members of the Supervisory Board was paid in the form of insurance payments under the voluntary liability insurance agreement in the amount of UAH 758 thousand (2023: UAH 396 thousand). Remuneration to the Members of the Management Board (5 persons) in cash amounted to UAH 19 817 thousand (2023: 4 persons, UAH 12 767 thousand), broken down as follows: variable - UAH 5 467 thousand (2023: UAH 3 708 thousand), fixed - UAH 14 350 thousand (2023: UAH 9 059 thousand).), as well as in-kind payments in the form of insurance premiums: under the voluntary health insurance agreement in the amount of UAH 68 thousand (2023: UAH 68 thousand), under the non-state

pension agreement in the amount of UAH 60 thousand (2023: UAH 48 thousand). Remuneration paid to the Bank's key management personnel in cash amounted to UAH 24 466 thousand (2023: UAH 931 thousand), including the following components: variable - UAH 5 095 thousand (2023: UAH 55 thousand), fixed - UAH 19 371 thousand (2023: UAH 876 thousand).), as well as in-kind payments in the form of insurance premiums: under the voluntary health insurance agreement in the amount of UAH 215 thousand (2023: UAH 5 thousand), under the non-state pension agreement in the amount of UAH 149 thousand (2023: UAH 5 thousand). In 2024, no variable remuneration was paid to the members of the Supervisory Board and the Management Board in non-monetary instruments.

Remuneration was not delayed and paid on time. There were no facts of the Bank's use of the right to reduce/cancel/refund the variable remuneration previously paid to the members of the management body, influential persons.

The shortcomings of the remuneration regulations identified by the National Bank of Ukraine have been/will be taken into account and improved in accordance with the recommendations provided by the National Bank of Ukraine.

(in UAH thousand)

Note 25. Income tax expense**Table 25.1 Income tax expense**

	2024	2023
Current income tax	(9 959)	(108 827)
Change in deferred income tax	129	(3 978)
Income tax paid on income of foreign origin at the source of payment		-
Total income tax expense	(9 830)	(112 805)

Table 25.2 Reconciliation of the amount of accounting profit / loss and the amount of tax profit / loss

	2024	2023
Profit before tax	20 122	214 869
Theoretical tax deductions at the appropriate tax rate	(10 061)	(107 434)
Other adjustments	(42)	(1 225)
Expenses that are not deductible for tax purposes	144	12
Other adjustments	129	(3 978)
Change in deferred income tax	0	(180)
Income tax expense	(9 830)	(112 805)

Table 25.3 Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at December 31, 2024

	Balance as at December 31, 2023	Recognized in statement of comprehensive income	Recognized in OCI	Balance as at December 31, 2024
Tax impact of temporary differences that reduce (increase) the amount of taxation and deferred tax losses for future periods:				
revaluation of assets	332	-	(287)	45
fixed assets	63	50		113
provisions for impairment of assets	211	79		290
accrued expenses	-			-
Deferred tax asset recognized	606	129	(287)	448

Table 25.4 Tax consequences related to recognition of deferred tax assets and deferred tax liabilities as at December 31, 2023

	Balance as at December 31, 2022	Recognized in statement of comprehensive income	Recognized in OCI	Balance as at December 31, 2023
Tax impact of temporary differences that reduce (increase) the amount of taxation and deferred tax losses for future periods:				
revaluation of assets	442	-	(110)	332
fixed assets	52	11	-	63
provisions for impairment of assets	73	138	-	211
accrued expenses	21	(21)	-	-
other	3 406	(4 106)	700	-
Deferred tax liability recognized	3 994	-	258	-
Deferred tax asset recognized	4 252	3 978	332	606

(in UAH thousand)

Note 26. Profit/(loss) per ordinary and preferred share**Table 26.1 Net and adjusted profit/(loss) per ordinary and preferred share**

	2024	2023
Profit / (loss) owned by shareholders - owners of ordinary shares of the bank (UAH thousand)	10 292	102 063
Profit / (loss) for the year (UAH thousand)	10 292	102 063
Average annual number of ordinary shares outstanding (thousands of shares)	122	122
Net profit / (loss) per ordinary share (UAH)	84,36	836,58
Adjusted net profit / (loss) per ordinary share, UAH		
base	84,36	836,58
diluted	84,36	836,58

Table 26.2 Calculation of profit/(loss) attributable to shareholders - holders of ordinary and preferred shares of the bank

	2024	2023
Profit / (loss) for the year owned by the owners of the bank	10 292	102 063
Retained earnings / (loss) for the year	10 292	102 063
Retained earnings / (loss) for the year due to holders of ordinary shares depending on the terms of the shares	10 292	102 063
Profit / (loss) owned by shareholders - owners of ordinary shares of the bank	10 292	102 063

(in UAH thousand)

Note 27. Operating segments**Table 27.1. Revenues, expenses and results of reporting segments for 2024**

	Operating segments		Total
	Treasury operations	Other	
Interest income	151 343	-	151 343
Fee and commission income	2 616	12 078	14 694
Result from transactions with financial instruments at fair value through profit or loss	(2 015)	-	(2 015)
Result from transactions with debt financial instruments at fair value through other comprehensive income	9 269	-	9 269
The result of foreign currency transactions	1 721	-	1 721
The result of the revaluation of foreign currency	399	-	399
Other operating income	53	-	53
Total income	163 386	12 078	175 464
Interest expenses	(44 750)	-	(44 750)
Fee and commission expenses	(19)	(1 420)	(1 439)
Net income from impairment of financial assets	26 235	-	26 235
Result from increase / (decrease) in reserves for liabilities	264	-	264
Staff costs	(64 985)	-	(64 985)
Depreciation and amortization costs	-	(3 955)	(3 955)
Other administrative and operating expenses	(57 983)	(8 729)	(66 712)
Total expenses	(141 238)	(14 104)	(155 342)
Income tax expenses	(9 830)	-	(9 830)

(in UAH thousand)

Note 27. Operating segments (continued)**Table 27.2 Assets and liabilities of reporting segments for 2024**

	Operating segments		Total
	Treasury operations	Other	
Segment assets	1 274 733	141 507	1 416 240
Total assets	1 274 733	141 507	1 416 240
Segment liabilities	1 034 241	25 715	1 059 956
Total liabilities	1 034 241	25 715	1 059 956

Table 27.3. Revenues, expenses and results of reporting segments for 2023

	Operating segments		Total
	Treasury operations	Other	
Interest income	340 860	-	340 860
Fee and commission income	2 660	5 632	8 292
Result from transactions with financial instruments at fair value through profit or loss	1 302	-	1 302
Result from transactions with debt financial instruments at fair value through other comprehensive income	15 686	-	15 686
The result of foreign currency transactions	(226)	-	(226)
The result of the revaluation of foreign currency	978	-	978
Other operating income	2	-	2
Total income	361 262	5 632	366 894
Interest expenses	(45 609)	-	(45 609)
Fee and commission expenses	(17)	(1 232)	(1 249)
Net income from impairment of financial assets	70 679	-	70 679
Result from increase / (decrease) in reserves for liabilities	(735)	-	(735)
Staff costs	(48 153)	-	(48 153)
Depreciation and amortization costs	-	(2 810)	(2 810)
Other administrative and operating expenses	(121 366)	(2 783)	(124 149)
Total expenses	(145 201)	(6 825)	(152 026)
Income tax expenses	(112 805)	-	(112 805)

Table 27.4 Assets and liabilities of reporting segments for 2023

	Operating segments		Total
	Treasury operations	Other	
Segment assets	1 163 398	140 095	1 303 493
Total assets	1 163 398	140 095	1 303 493
Segment liabilities	880 403	79 452	959 855
Total liabilities	880 403	79 452	959 855

Table 28. Financial risk management

The Bank has developed and implemented procedures for risk management and control. The risk management process is based on the relevant regulations of the National Bank of Ukraine. The Bank's risk management process consists of prevention, identification, measurement, analysis, mitigation, control and monitoring, reporting regarding all significant risks, to which the Bank is exposed in its activity.

Credit risk

Credit risk management, limiting its negative impact on the Bank's activities is one of the key tasks of strategic management. In accordance with the Recommendations of the Basel Committee on Banking Supervision, the Bank uses a standardized approach to credit risk assessment. The assessment is carried out in two directions: qualitative and quantitative.

In order to manage credit risk in transactions with legal entities and individuals, the Bank adheres to the following principles of credit policy:

- making investments exclusively in profitable and high-quality credit assets;
- a balanced approach to lending to corporate clients is based on the analysis of financial indicators, activities of enterprises, markets, industry trends, etc.;
- use of the principle of identification of the borrower "Know your customer";
- decision-making on the loan is based on a qualitative analysis of the borrower's solvency, sources of loan repayment and prospects for business development;
- diversification of the loan portfolio taking into account industry risks, susceptibility to global trends, export orientation, market volatility.

The ratio of the sum of all requirements to the counterparty or group of related counterparties and all financial liabilities provided by the bank to the counterparty or group of related counterparties to the regulatory capital of the Bank (hereinafter H7) shall not exceed 25 percent. As of 31.12.2024, the value of the H7 standard was 9,88%.

Market risk

The Bank's risk management system is aimed at ensuring the implementation of business objectives in accordance with the Bank's development strategy and increasing its value, optimizing the ratio of potential opportunities and risks, capital size and growth rates of the Bank.

The main tools for achieving these goals are the Bank's comprehensive risk management system, which provides for the coordination of actions of all departments within a single strategy for risk management, approved by the Supervisory Board of the Bank.

Foreign currency risk

Table 28.1 Foreign currency risk analysis

Currency	2024			2023		
	Monetary assets	Monetary liabilities	Net foreign exchange position	Monetary assets	Monetary liabilities	Net foreign exchange position
USD	90 610	89 783	827	189 540	185 286	4 255
EUR	160 418	143 472	16 946	123 800	125 031	(1 231)
Total	251 028	233 255	17 773	313 341	310 317	3 023

(in UAH thousand)

Note 28. Financial risk management (continued)

The risk of financial losses and the possibility of decrease in the cost of capital resulting from changes in foreign exchange rates and prices for precious metals, unfavourable (opposite) for existing open currency positions, is an important type of risk, which arises in the course of the Bank's activities. The amount of possible financial losses depends on the size of the open currency positions and changes in relevant foreign currencies.

Basic methods and models of currency risk management are determined in the "Regulations on currency risk management at JSC "BANK AVANGARD".

The internal limits for total open foreign exchange position are established at the Bank. The methodology and mechanisms of foreign currency risk management are updated constantly.

The process of foreign currency risk management at the Bank provides for daily monitoring of the compliance of the maximum possible open foreign exchange positions on the basis of acceptable values of capital at risk to the established limits of open currency positions, analysis of volatility in exchange rates and the amount of the foreign currency risk under regular and stress conditions.

Parametric assessment methods based on the assumption of normal distribution of currency fluctuation disturbances (Value-at-Risk methodology, etc.) appeared to be unsuitable for predicting the foreign currency risk magnitude at the Bank. In this situation, based on the analysis of currency fluctuations, a risk magnitude was estimated for each open currency position, as well as an acceptable risk magnitude. Accordingly, the limits for open currency positions were set, that are a subject to daily control of the risk management department and an instrument of foreign currency risk exposure limitation.

Table 28.2 Change in financial result and equity as a result of possible changes in exchange rates set at the reporting date, provided that all other variables remain fixed

	2024		2023	
	Impact on profit/ (loss)	Impact on equity	Impact on profit/ (loss)	Impact on equity
USD strengthening by 25%	207	207	1 064	1 064
USD weakening by 25%	(207)	(207)	(1 064)	(1 064)
EUR strengthening by 25%	4 237	4 237	(308)	(308)
EUR weakening by 25%	(4 237)	(4 237)	308	308

In order to ensure the stable activity of the Bank, the formation of regulatory capital in accordance with the requirements of the National Bank of Ukraine and taking into account the recommendations on minimum capital requirements of the Basel Committee on Banking Supervision, as well as to determine the size and control of capital adequacy The Bank has implemented a model of internal control over the level of capital adequacy in all areas of its activity.

The risk of financial loss and the probability of a decrease in the cost of capital due to changes in exchange rates and prices for bank metals, unfavourable (opposite) to existing open currency positions, is an important type of risk that arises in the course of the bank's activities. The amount of possible financial losses depends on the size of open currency positions and the magnitude of changes in the exchange rates of the respective currencies. The analysis of the impact of the projected change in exchange rates on the financial result of the Bank is carried out using the approaches developed by the Bank.

(in UAH thousand)

Note 28. Financial risk management (continued)

The Bank does not consider other risks significant for the Bank, so the Bank does not monitor them.

Interest rate risk**Table 28.3 General analysis of interest rate risk in 2024**

Item	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than a year	Interest-free	Total
2024						
Total financial assets	857 411	35 243	-	23 489	475 905	1 392 048
Total financial liabilities	874 971	7 181	933	7 301	144 435	1 034 821
Net interest rate gap at the end of December 31	(17 560)	28 062	(933)	16 188	331 470	357 227

Table 28.4 General analysis of interest rate risk in 2023

Item	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than a year	Interest-free	Total
2023						
Total financial assets	635 053	20 159	-	63 288	563 752	1 282 252
Total financial liabilities	674 720	23 524	403	7 314	175 287	881 248
Net interest rate gap at the end of December 31	(39 667)	(3 365)	(403)	55 974	388 465	401 004

Table 28.5 Monitoring of interest rates on financial instruments

(%)

	2024				2023			
	UAH	USD	EUR	Other	UAH	USD	EUR	Other
Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Loans and due from banks	-	-	-	-	-	-	-	-
Loans and due from customers	20,0	-	9	-	19,8	-	9	-
Investment in securities	14,9	4,9	2,5	-	17,3	5,6	-	-
Other assets	-	-	-	-	-	-	-	-
Liabilities								
Due to other banks	13,8	-	-	-	-	-	-	-
Due to customers	6,4	1,1	1,3	-	7,0	0,6	0,1	-
Debt securities, issued by the Bank	19	-	-	-	20,2	-	-	-
Other raised funds	-	-	-	-	-	-	-	-
Current accounts	5,8	1,0	0,8	-	6,7	0,4	0,1	-
Term deposits	9,2	1,7	1,5	-	9,0	1,4	0,1	-
Other liabilities	-	-	-	-	-	-	-	-

(in UAH thousand)

Note 28. Financial risk management (continued)**Geographical risk****Table 28.6 Analysis of the geographical concentration of financial assets and liabilities for 2024**

	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	475 905	-	-	475 905
Loans and due from banks	-	-	-	-
Loans and due from customers	58 732	-	-	58 732
Investment in securities	857 411	-	-	857 411
Derivative financial assets	-	-	-	-
Other financial assets	-	-	-	-
Total financial assets	1 392 048	-	-	1 392 048
Liabilities				
Due to other banks	-	-	-	-
Due to customers	996 444	5 213	18 602	1 020 259
Debt securities issued by the bank	7 301	-	-	7 301
Derivative financial liabilities	-	-	-	-
Other financial liabilities	7 261	-	-	7 261
Total financial liabilities	1 011 005	5 213	18 602	1 034 821

Assets and liabilities were classified on the basis of the counterparty's residence data.

Table 28.7 Analysis of the geographical concentration of financial assets and liabilities for 2023

	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	563 685	-	-	563 685
Loans and due from banks	-	-	-	-
Loans and due from customers	63 288	-	-	63 288
Investment in securities	655 212	-	-	655 212
Derivative financial assets	17	-	-	17
Other financial assets	50	-	-	50
Total financial assets	1 282 252	-	-	1 282 252
Liabilities				
Due to other banks	-	-	-	-
Due to customers	865 482	544	5 926	871 952
Debt securities issued by the bank	7 314	-	-	7 314
Derivative financial liabilities	1 137	-	-	1 137
Other financial liabilities	845	-	-	845
Total financial liabilities	874 778	544	5 926	881 248

Assets and liabilities were classified on the basis of the counterparty's residence data.

(in UAH thousand)

Table 28. Financial risk management (continued)**Liquidity risk****Table 28.8 Analysis of financial assets and liabilities by maturity based on expected maturities as at December 31, 2024**

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	475 905	-	-	-	-	475 905
Loans and due from banks	-	-	-	-	-	-
Loans and due from customers	-	-	35 243	23 489	-	58 732
Investment in securities	857 411	-	-	-	-	857 411
Derivative financial assets	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Total financial assets	1 333 316	-	35 243	23 489	-	1 392 048
Liabilities						
Due to other banks	-	-	-	-	-	-
Due to customers	874 175	137 970	8 114	-	-	1 020 259
Debt securities issued by the bank	-	-	-	7 301	-	7 301
Derivative financial liabilities	-	-	-	-	-	-
Other financial liabilities	6 681	-	580	-	-	7 261
Total financial liabilities	880 856	137 970	8 694	7 301	-	1 034 821
Net liquidity gap at the end of December 31	452 460	(137 970)	26 549	16 188	-	357 227
Cumulative liquidity gap at the end of the day on December 31	452 460	314 490	341 039	357 227	357 227	

Table 28.9 Analysis of financial assets and liabilities by maturity based on expected maturities as at December 31, 2023

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	563 685	-	-	-	-	563 685
Loans and due from banks	-	-	-	-	-	-
Loans and due from customers	-	-	-	63 288	-	63 288
Investment in securities	635 053	20 159	-	-	-	655 212
Derivative financial assets	17	-	-	-	-	17
Other financial assets	50	-	-	-	-	50
Total financial assets	1 198 805	20 159	-	63 288	-	1 282 252
Liabilities						
Due to other banks	-	-	-	-	-	-
Due to customers	848 025	9 693	14 234	-	-	871 952
Debt securities issued by the bank	-	-	-	7 314	-	7 314
Derivative financial liabilities	1 137	-	-	-	-	1 137
Other financial liabilities	1	-	844	-	-	845
Total financial liabilities	849 163	9 693	15 078	7 314	-	881 248
Net liquidity gap at the end of December 31	349 642	10 466	(15 078)	55 974	-	401 004
Cumulative liquidity gap at the end of the day on December 31	349 642	360 108	345 030	401 004	401 004	

Note 28. Financial risk management (continued)

The management process of operational risk, compliance risk, strategic risk and reputation risk, risk regarding professional activity on stock market, involves effective management at all stages (from risk detection to minimization and control) and is carried out using a system of appropriate parameters.

The main purpose of creating and operating a system of parameters for managing operational risk, compliance risk, strategic risk, reputation risk, risk regarding professional activity on stock market is to ensure the adoption of appropriate management decisions aimed at reducing the impact of risk on the Bank as a whole in relation to certain activities of the Bank.

Other risks

The strategic, operational, compliance, reputational and professional activity on stock market risk management system includes:

- definition of basic principles of risk;
- identification, accounting and description of risks separately for each type of risk;
- risk assessment and control (monitoring) of the level of risks;
- measures to reduce (minimize) risks and eliminate the negative consequences of the implementation of risks, including the procedure and sources of funding for measures to compensate for losses;
- formation of the Bank's management structure, development of internal rules, procedures and technologies considering the basic principles of risk management adopted by the Bank.

(in UAH thousand)

Note 29. Capital management

The Bank's purpose in capital management is to ensure: compliance with capital requirements set by the National Bank of Ukraine and cover the negative effects of the crisis. In order to determine the level of capital, the Bank assesses the level of regulatory capital and capital adequacy ratios. Regulatory capital is one of the most important indicators of banks' activity, the main purpose of which is to cover the negative consequences of various risks that the Bank assumes in the course of its activities, and to ensure deposit protection, financial stability and stable operation of the Bank.

In August 2024, the National Bank of Ukraine established a new procedure for determining the amount of regulatory capital, Tier 1 capital and core Tier 1 capital by Ukrainian banks. The Bank calculates regulatory capital based on the regulatory requirements for the components of Tier 1 capital, which consists of Tier 1 common equity (CE1) and Tier 1 additional capital (AC1), and Tier 2 capital. As at 31.12.2024, the regulatory capital structure includes Tier 1 capital as part of Tier 1 common equity, as there are no components of AC1 and components of Tier 2 capital.

Regulatory capital structure

	31.12.2024
Common equity (tier1 capital) (CE1):	344 300
<u>Own instruments CE1</u>	
<i>the aggregate nominal value of equity instruments of CE1, which are ordinary shares/units in the registered authorized capital of the bank</i>	231 800
<u>Profit</u>	
<i>retained earnings of previous years</i>	103 115
<i>Reserve and other funds of the bank</i>	11 825
<i>estimated profit of the current year</i>	10 292
<u>Deduction from CE1:</u>	
<i>Intangible assets less amortization</i>	(9 409)
<i>capital investments in intangible assets</i>	(2 122)
<i>negative result of revaluation of debt financial assets at fair value through other comprehensive income</i>	(747)
<i>accrued income not received more than 30 days from the date of accrual, which is not due under the contract</i>	(6)
<i>deferred tax assets</i>	(448)
<i>deferred tax liabilities</i>	-
Additional Tier 1 capital (AC1)	-
Tier 1 capital (Tier 1)	344 300
Tier 2 capital	-
Total regulatory capital	344 300
<i>Regulatory capital adequacy ratio (RCR) (not <8.50%)</i>	45,95%
<i>Tier 1 capital adequacy ratio (RC 1) (not <7.50%)</i>	45,95%
<i>Common Equity Tier 1 ratio (REC) (not <5.625%)</i>	45,95%

Note 29. Capital management (continued)**Regulatory capital structure****31.12.2023**

Common equity	
Paid share capital	200 080
Unpaid share capital	31 720
Reserve and other funds of the bank	11 825
Decrease in common equity:	
Intangible assets less depreciation	(6 102)
Capital investments in intangible assets	
Common equity (tier1 capital)	237 523
Additional capital:	
Reserves for standard debt	102 063
Estimated current year profit	-
Uncollected accrued income less provisions	(300)
Retained earnings of previous years	1 051
Additional capital (tier 2 capital)	102 814
Regulatory adjustments	-
Total regulatory capital	340 337
Regulatory capital adequacy ratio (N2) (not less than 10%)	80,50%

The data in the table take into account corrective entries as of the end of the day December 31, 2024. Capital adequacy ratios [regulatory capital adequacy ratio (RCR), tier 1 capital adequacy ratio (Tier 1) and common equity capital adequacy ratio (Tier 1)] are the most important indicators of the Bank's performance, which determine the actual level of coverage of the consequences of risks that the Bank assumes in the course of its activities.

In compliance with the NBU requirements, the Bank has implemented an internal capital adequacy assessment process (ICAAP). According to the internal capital adequacy assessment, the Bank's internal capital is sufficient to cover all possible risks from an economic and regulatory perspective.

Each year, the ALMC oversees the preparation of a capitalization plan, which is a part of the Bank's budget and which is aimed at ensuring that the Bank will comply with the minimum capital requirements. It details a projected growth of capital and assets, dividend distributions, future business expansion, losses on bad loans and projected revenues. The plan also aims to maintain capital adequacy in accordance with the regulatory requirements of the National Bank of Ukraine. Due to the Bank's effective capital management policy, in 2024 the Bank complied with capital requirements.

(in UAH thousand)

Note 30. Commitments and contingencies**Table 30.1. Structure of lending commitments**

	31.12.2024	31.12.2023
Lending commitments issued	1 500	-
Guarantees issued	4 393	4 221
Provisions for lending commitments	(580)	(844)
Total lending commitments less provisions	5 313	3 377

Table 30.2. Structure of lending commitments by currencies

	31.12.2024	31.12.2023
UAH	1 500	-
EUR	3 813	3 377
Total	5 313	3 377

In December 2023, the Bank became one of the four recipients of a lawsuit filed by the Cabinet of Ministers of Ukraine (the "CMU"), which is limited to a claim regarding the Bank's use of funds, allegedly without sufficient grounds, which, according to the plaintiff, became the property of the state, and as a result, requires the defendants to return the interest income received from their use, inflationary increases and 3% per annum for breach of monetary obligation.

In the opinion of the Bank's management, which is confirmed by the opinion of several independent law firms with impeccable reputation, the claims against the Bank are unfounded as they do not take into account all the circumstances of the case, do not take into account the lack of proper regulation and/or conflicting legal provisions regarding legal relations on asset recovery, as well as the Bank's right under Article 1066 of the Civil Code of Ukraine to use all funds held on the accounts of the Bank's customers, guaranteeing their right to dispose of them without hindrance.

By the decision of the Commercial Court of Kyiv dated 15.12.2023, upheld by the decision of the Northern Commercial Court of Appeal dated 15.03.2024, the claim of the State represented by the Cabinet of Ministers of Ukraine against Joint Stock Company Bank Avangard and other defendants for the recovery of funds was returned without consideration.

By the decision of the Supreme Court dated 04.06.2024, the cassation appeal of the State represented by the Cabinet of Ministers of Ukraine was upheld, the decision of the Kyiv Commercial Court dated 15.12.2023 and the decision of the Northern Commercial Court of Appeal dated 06.03.2024 were completely cancelled, and the case was transferred to the Kyiv Commercial Court to decide on the opening of proceedings on the claim of the State represented by the Cabinet of Ministers of Ukraine against Avangard Bank and other defendants for the recovery of funds.

By the decision of the Commercial Court of Kyiv dated 10.07.2024, the court proceedings were initiated on the claim of the State represented by the Cabinet of Ministers of Ukraine against the Bank and other defendants for the recovery of funds to consider the subject matter of the claim on the merits.

The decision of the Commercial Court of Kyiv dated 06.02.2025 dismissed the claim of the State represented by the Cabinet of Ministers of Ukraine against the Bank and other defendants for recovery of funds.

Note 30. Commitments and contingencies (continued)

The Bank has a strong legal position on the merits of the dispute, and therefore does not see any risks in satisfying the plaintiff's claims and, accordingly, risks to the Bank's going concern.

In addition, the Bank is involved as a third party without asserting separate independent claims in several lawsuits brought by the ultimate beneficial owners of the Bank against the National Bank of Ukraine regarding decisions of the regulator based on its professional judgment.

Under the most probable scenarios, the claims will not have a material impact on the Bank's financial position, and the costs of supporting the litigation will be at a reasonable market level. Although the uniqueness of the claim creates significant uncertainty in this regard, management does not anticipate any threat to the Bank's going concern.

Note 31. Fair value of financial instruments

In accordance with the Accounting Policy Statement, fair value is the amount at which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing and independent parties, namely:

- the fair value of an asset is the amount that would be required to be paid to acquire (exchange) such an asset;
- the fair value of a liability is the amount by which such a liability can be settled.

The fair value for financial assets that are traded freely in the market is their quoted price in an active market. If a market for a financial instrument is not active, or if there is no observable market price or no comparable items available, the Bank uses a valuation technique and assumptions for each class of financial asset or financial liability to determine the estimated fair value.

As at 31.12.2024, the fair value of securities at fair value through other comprehensive income, derivative financial assets and derivative financial liabilities.

The Bank believes that the fair value of highly liquid assets/liabilities such as cash and cash equivalents and short-term funds raised/placed can be approximated to their carrying amounts.

Note 31.1 Information on financial assets in the Bank's balance sheet as at 31.12.2024, the fair value of which is disclosed:

		Fair value by various valuation methods			Total	Carrying amount
Date of assessment		Market quotations (level 1)	Valuation method using observable data (level 2)	Valuation method using indicators not supported by observable market data (level 3)		
Assets						
Cash and cash equivalents	31.12.2024	475 905	-	-	475 905	475 905
Securities in the bank's portfolio carried at fair value through other comprehensive income	31.12.2024	857 411	-	-	857 411	857 411
Financial assets carried at fair value through profit or loss	31.12.2024	-	-	-	-	-
Liabilities						
Financial liabilities at fair value through profit or loss	31.12.2024	-	-	-	-	-

(in UAH thousand)

Note 31. Fair value of financial instruments (continued)

Table 31.2 Information on financial assets in the Bank's balance sheet as at 31.12.2023, the fair value of which is disclosed:

			Fair value by various valuation methods			Total	Carrying amount	
Date of assessment			Market quotations (level 1)	Valuation method using observable data (level 2)	Valuation method using indicators not supported by observable market data (level 3)			
Assets								
Cash and cash equivalents	31.12.2023	563 685	-	-	563 865	563 865		
Securities in the bank's portfolio carried at fair value through other comprehensive income	31.12.2023	655 212	-	-	655 212	655 212		
Financial assets carried at fair value through profit or loss	31.12.2023	17	-	-	17	17		
Liabilities								
Financial liabilities at fair value through profit or loss	31.12.2023	-	-	1 137	1 137	1 137		

(in UAH thousand)

Note 32. Presentation of financial instruments by valuation category**Table 32.1. Financial assets by valuation categories for 2024**

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	475 905	-	-	475 905
Loans and due from customers	58 732	-	-	58 732
- loans to legal entities	58 732	-	-	58 732
- loans to individuals	-	-	-	-
Investments in securities	-	857 411	-	857 411
Total financial assets	534 637	857 411	-	1 392 048

Table 32.2. Financial liabilities by valuation categories for 2024

	Financial liabilities that at amortized cost	Financial liabilities at fair value through profit / loss		Total
		financial liabilities that are initially recognized at fair value through profit or loss	financial liabilities held for trade	
Due to customers	1 020 259	-	-	1 020 259
Debt securities issued by the bank	7 301	-	-	7 301
Other funds raised	-	-	-	-
Derivative financial liabilities	-	-	-	-
Other financial liabilities	6 681	-	-	6 681
Provisions for liabilities	580	-	-	580
Total financial liabilities	1 034 821	-	-	1 034 821

(in UAH thousand)

Note 32. Presentation of financial instruments by valuation category (continued)**Table 32.3. Financial assets by valuation categories for 2023**

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	563 685	-	-	563 685
Loans and due from customers	63 288	-	-	63 288
- loans to legal entities	61 752	-	-	61 752
- loans to individuals	1 536	-	-	1 536
Investments in securities	-	655 212	-	655 212
Total financial assets	626 973	655 212	-	1 282 185

Table 32.4. Financial liabilities by valuation categories for 2023

	Financial liabilities that at amortized cost	Financial liabilities at fair value through profit / loss		Total
		financial liabilities that are initially recognized at fair value through profit or loss	financial liabilities held for trade	
Due to customers	871 952	-	-	871 952
Debt securities issued by the bank	7 314	-	-	7 314
Other funds raised	-	-	-	-
Derivative financial liabilities	-	1 137	-	1 137
Other financial liabilities	1	-	-	1
Provisions for liabilities	844	-	-	844
Total financial liabilities	880 111	1 137	-	881 248

(in UAH thousand)

Note 33. Related party transactions**Table 33.1 Balances on related party transactions for 2024**

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Due to customers (contractual interest rate depending on currency and product))	17 727	147 496	3 045	767

Table 33.2. Revenues and expenses from related party transactions for 2024

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Interest income	-	-	-	-
Interest expenses	(17)	(7 555)	(394)	(37)
Commission income	24	1 721	10	4
Net loss on impairment of financial assets	-	-	-	-
Other operating income	-	-	-	-
Administrative and other costs	-	(132)	-	-
Short-term remuneration	-	-	(31 851)	-

* Key management personnel members of the Supervisory Board and the Management Board of the Bank

During 2024, the Bank conducted transactions with related parties on general terms and conditions.

Table 33.3 Balances on related party transactions for 2023

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Due to customers (contractual interest rate depending on currency and product))	4 721	176 827	2 693	2 880

Table 33.4. Revenues and expenses from related party transactions for 2023

	Major shareholders of the Bank	Jointly controlled companies	Key management personnel	Other related parties
Interest income	-	-	227	-
Interest expenses	(225)	(11 727)	(348)	(80)
Commission income	26	957	6	9
Net loss on impairment of financial assets	-	-	76	-
Other operating income	-	6	-	-
Administrative and other costs	-	(144)	-	-
Short-term remuneration	-	-	(17 192)	-

* Key management personnel members of the Supervisory Board and the Management Board of the Bank

During 2023, the Bank conducted transactions with related parties on general terms and conditions.

Note 34. Subsequent events

In connection with the ongoing large-scale armed aggression of the Russian Federation against Ukraine, based on the proposal of the National Security and Defense Council of Ukraine, on February 5, 2025, the President of Ukraine signed laws extending the martial law and general mobilization in Ukraine from February 08, 2025 for a period of 90 days (i.e. until May 09, 2025).

The unpredictability of the scenarios of further escalation of hostilities makes it impossible to estimate exactly what share of customers will be able to return to normal loan servicing and in what time horizon. However, even in an optimistic scenario, the losses for banks will be significant.

Given the current situation, the Bank's management conducts daily operational monitoring of its activities and ensures a quick response to current events and changes in the situation. In addition, assessing possible scenarios and based on the specifics of the assets, the Bank's management estimates possible losses as below the industry average and such that will not affect the Bank's ability to continue as a going concern.

On 22.01.2024, the National Bank of Ukraine temporarily, until the violation is eliminated, prohibited the use of voting rights by the owners of significant interest in the Bank, which, in the opinion of the Bank's management, does not affect the financial stability of the Bank and does not create additional risks that may affect the continuity of its operations, as in accordance with the legislation of Ukraine, such a measure does not result in the termination of the Bank's activities and does not affect the fulfilment of the Bank's obligations to customers, counterparties and depositors, which are fulfilled by the Bank in a timely manner and within the established timeframe. Each decision of the NBU regarding the Bank's shareholders and the Bank's UBOs is or will be appealed in court and there is every reason to expect a fair decision in view of the decision of the Kyiv District Administrative Court dated 10.04.2024 (upheld by the decision of the appellate court) and the decision of the Kyiv District Administrative Court dated 12. 02.2025, which upheld UBO Bank's administrative claims against the National Bank and according to which the decisions of the National Bank, which became the basis for depriving the owners of significant participation of the right to vote, were recognized as unlawful and cancelled.

On 13.02.2025, the Kyiv District Administrative Court ruled that the decision of the National Bank of Ukraine to ban the use of voting rights by one of the Bank's UBO was unlawful and cancelled.

The decision of the Commercial Court of Kyiv dated 06.02.2025 dismissed the claim of the State represented by the Cabinet of Ministers of Ukraine against the Bank and other defendants for recovery of funds.

The Bank plans to continue to comply with the requirements of the National Bank of Ukraine regarding the amount of authorized and regulatory capital and prudential ratios.

There have been no other events that may be material to the users of the Bank's financial statements after the balance sheet date.

February 28th, 2025

Chairperson of the Board

_____/Svitlana Korchynska /

Chief Accountant

_____/Nataliia Derkachenko/

FREE TRANSLATION FROM THE UKRAINIAN ORIGINAL

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of "BANK AVANGARD", JSC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JOINT STOCK COMPANY "BANK AVANGARD" (the Bank), which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Bank as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and meets the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" regarding the preparation of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) and 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 IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which discloses that on February 24, 2022, Russian troops began invading Ukraine and active hostilities are currently taking place. As noted in Note 2, These events or conditions, together with other issues set out in Note 2, indicate that there is significant uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on this issue has not been modified.

During the audit of the financial statements, we concluded that the use of the principle of going concern by management in the preparation of financial statements is appropriate. Our assessment of management's assumptions about the Bank's ability to continue to apply the going concern basis in accounting included:

- Assessment of the negative consequences of continued military aggression on the banking sector of Ukraine.
- Analysis of the scenarios of the situation identified by the Bank's management and possible actions in response to the leadership of Ukraine, the world community and the Bank's management.
- Analysis of possible changes in the basic indicators of the Bank's activities in terms of asset impairment, falling volumes and margins of banking operations.
- Analysis of regulatory capital adequacy and liquidity, ways to maintain them at a sufficient level.

We have found that forecasts of the situation and the corresponding negative consequences are very difficult to build due to the unpredictability of the actions of the Russian leadership. At the same time, management assumptions about the most likely scenarios are relevant.

Our responsibilities and the responsibilities of management for going concern are described in the relevant sections of this report.

Key Audit Matters

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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 an opinion on these matters.

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

Key Audit Matter*Expected credit losses (Note 6, 7)*

The estimation of expected credit losses is a key area of professional judgment of the Bank's management. Identifying of impairment and determination of amount of expected reimbursement include some assumptions and analysis of different factors, including the financial position of borrower, expected future cash flow and fair value of collaterals.

The use of various assumptions may be result of various estimates of expected credit losses. Taking into account the materiality of financial assets balances and a certain level of subjectivity of judgments, we have determined estimation of expected credit losses as the key matter of the audit.

How the Key Audit Matter Was Considered in Our Audit

In testing expected credit losses we performed the following significant audit procedures:

- We assessed the methodologies used to determine expected credit losses and their compliance with IFRS
- We analyzed the documentation of the processes of financial assets monitoring and credit risk provisioning, and critically assessed whether these processes are suitable for identifying loan losses and adequately reflecting the recoverability of financial assets. We also assessed the processes and tested key controls regarding their design and implementation, including the relevant IT systems, and tested their effectiveness on a sample basis.
- By performing analytical audit procedures, we examined the development of receivables with regard to the quality, type of care, rating and level allocation throughout the year and in comparison with the previous year.
- We tested individual financial assets selected on the basis of a sample determined according to risk criteria. For defaulted loans, we assessed the Bank's estimates of the amount and timing of recoveries, taking into account collateral, and examined whether the assumptions used in the calculation were appropriate and derivable from internal or external evidence. For non-defaulted loans, we examined whether indicators of default exist.
- In order to assess the appropriateness of the expected credit losses for non-defaulted loans (Stage 1 and Stage 2), we examined the plausibility of assumptions and the statistical/mathematical appropriateness of the models used, as well as the proper application of the models. In particular, we examined the assumptions in connection with forward-looking information. Furthermore, we examined the appropriateness of the assumptions "probability of default", "loss given default" and the level allocation model, taking into account the results of the bank's internal validations, and reperformed selected calculation steps. In addition, IT specialists tested the effectiveness of key automated controls of the IT systems relevant for the calculation.

- We assessed whether the disclosures in the notes to the financial statements regarding the calculation of expected credit losses and the significant assumptions and estimation uncertainties are appropriate.

Other Information

Management is responsible for the other information. The other information comprises as of the date of this Auditor's report is the Management Report including Corporate Management Report. The other information which we expected to receive after the date of this Auditor's report is Annual Information on the Issuer of Securities.

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 or inconsistent with legal requirements.

If, based on the work we have performed on the other information obtained prior to the date of this Auditor's report, we conclude that there is a material misstatement or inconsistency with legal requirements of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Information on the Issuer of Securities, and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and the NSSMC.

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

Management is responsible for preparation and fair presentation of these financial statements in accordance with IFRS and the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" 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.

Preparing the financial statements, management is responsible for assessment Bank's ability to continue as a going concern, disclosure, if applicable, issues regarding going concern and apply going concern as a basis for accounting, except, if the management plans to liquidate the Bank or discontinue the activity or have not any other real alternatives for it.

Supervisory Board is responsible for overseeing the process of financial reporting of the Bank.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We provide the Supervisory Board with information about the planned scope and timing of the audit and significant audit results, including any significant deficiencies in internal control measures identified by us during the audit.

We also acknowledge to the Supervisory Board that we have complied with the relevant ethical requirements for independence, and inform them of any relationship and other matters that may reasonably be considered to affect our independence and, where applicable, of appropriate safeguards.

From the matters communicated with Supervisory Board, 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 the requirements of other laws and regulations

Law of Ukraine "On Audit of Financial Statements and Auditing"

In accordance with the Law of Ukraine "On Audit of Financial Statements and Auditing" dated December 21, 2017, No. 2258-VIII, auditors must provide additional information and assurances.

Basic information about the audit firm

Full name	AC «CROWE UKRAINE»
Location	Obolonska Naberezhna 33, Kyiv, 04210 Ukraine
Information on inclusion in the Register of audit firms and auditors	Registration number in the Register of Auditors and Audit Entities 3681 An auditing entity that has the right to conduct a statutory audit of financial statements An auditing entity that has the right to conduct a statutory audit of the financial statements of public interest entities
Name of the body that appointed the auditing entity to conduct the statutory audit	Supervisory Board of the Bank
Date of appointment of the audit entity	04.10.2024 (Minutes of the meeting of the Supervisory Board №13)
Duration of the audit task without interruption, taking into account the continuation of mandates and reappointments for the provision of statutory audit services	5 th year

We confirm that the auditor's opinion presented in the Audit Report on the financial statements is consistent with the additional report to the Supervisory Board's Audit Committee of the Bank.

We declare that no prohibited non-audit services referred to Article 6 of the Law of Ukraine "On audit of financial statements and auditing" were provided to the Bank.

The key audit partner and audit entity are independent of the Bank in conducting the audit.

We did not provide services other than statutory audit services and services disclosed in the management report or financial statements during the period covered by the financial statements and during the audit of the financial statements.

ISAs require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The term "sufficient certainty" allows for some risk of significant monetary inconsistencies that may remain undetected; it is also assumed that the auditor cannot provide an absolute guarantee of the accuracy and completeness of the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The terms of the ISAs require that the audit be planned in such a way as to ensure that errors and inconsistencies that could materially affect the financial statements are sufficiently probable. However, because the auditor will not audit all transactions performed by the entity during the year, the audit may not provide complete assurance that errors and inconsistencies, including fraud, will be identified.

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

For and on behalf of AC CROWE UKRAINE

Audit Director
Registered Auditor #100594

Vitaliy HAVRYSH

Engagement partner
Registered Auditor #101572

Oleksandr KONOVCHENKO

Kyiv, Ukraine

February 28, 2025