

JOINT-STOCK COMPANY

“PRAVEX BANK”

Annual report for the year 2023

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APPROVED
Decision of the Shareholder dated



Bank of INTESA  SANPAOLO

**MANAGEMENT REPORT
“PRAVEX BANK” JSC
for 2023**

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1. ADDRESS OF THE CHAIRMAN OF THE SUPERVISORY BOARD



Dear ladies and gentlemen!

First of all, I would like to express my sincere gratitude to all employees of PRAVEX BANK JSC for their unwavering commitment to supporting our operations in the difficult conditions prevailing in Ukraine. We recognise and deeply appreciate the heroic efforts made by the Ukrainian people to defend their sovereignty, independence and freedom. In light of these critical circumstances, PRAVEX BANK has set several priorities aimed at contributing to the well-being of the country.

These priorities include:

- Ensuring the safety and support of our employees, backed by significant measures provided directly by our parent company, Intesa Sanpaolo S.p.A.
- Protecting the interests of our clients.
- Maintaining financial stability and thoroughly complying with all regulatory requirements.
- Compliance with the highest European corporate governance standards.
- Preserving and enhancing the quality of the Bank's assets.

During the financial year 2023, we saw an improvement in the business environment, supported by the stability of the banking system and government measures. We are also grateful for the strong financial support provided by both European and non-European partners. We hope that this support will continue until the Ukrainian economy returns to normal.

The Bank's Supervisory Board has been diligently providing recommendations and guidance to the Management Board, ensuring smooth coordination with the Bank's sole shareholder. I would like to express my sincere gratitude to all the managers and employees of PRAVEX BANK who have demonstrated exceptional professionalism and dedication to serving our clients and the nation, despite the extraordinary conditions, including the prolonged martial law.

I am confident that our clients have recognised and appreciated this loyalty.

Looking ahead to the coming months, we reaffirm our commitment to strengthening PRAVEX BANK and enhancing its resilience. With business continuity measures in place, including contingency and recovery plans and backup scenarios for all important banking services and products, we expect to further strengthen the Bank's reliability and stability, as well as to intensify business activity.

With a fervent hope for a speedy return to peaceful life for Ukraine and its people, I assure you that PRAVEX BANK and Intesa Sanpaolo Group remain unwaveringly committed to our clients and Ukrainian society.

I wish all stakeholders a prosperous 2024.

Best wishes,

Silvio Pedrazzi

2. ADDRESS OF THE CHAIRMAN OF THE BOARD



2023 is a year filled with challenges and triumphs. As a Ukrainian bank, we did our best to support the economy of Ukraine, which we hope will strengthen, and help contribute to greater prosperity and recovery from the challenges the country continues to face.

Despite all the obstacles and constant attacks, the Bank operated without interruption. A list of branches that operate even in the event of prolonged power and communication outages was identified. PRAVEX BANK joined the POWER BANKING program, aiming to enhance clients' access to banking services. This move underscores the bank's commitment of being part of the national initiative to ensure the uninterrupted provision of banking services, supporting Ukrainian residents receiving financial services without hindrance.

Despite the external circumstances, the business showed positive results. In particular, in terms of lending, the Bank's corporate business continued to increase the Bank's operating income, which was 7% higher than the previous year, and 15% higher than before the start of the conflict. The quality of the loan portfolio also remains significantly better than the market average. The number of retail customers increased, 20% of which were attracted through remote channels. Budget execution for retail deposits reached 120%, and net fee and commission income in the retail segment was overfulfilled. Total operating income targets were also overachieved. The main efforts were made to improve customer experience, digitalize business processes, and increase efficiency.

In May 2023, PRAVEX BANK joined the UN Global Compact. The Bank committed to adhering to the thirteen goals of the UN Global Compact across four key areas: human rights, labor relations, environment, and anti-corruption.

Since the beginning of the conflict, every resident of Ukraine has undergone a range of unprecedented emotions. In response, PRAVEX BANK is actively assisting its employees in restoring psychological stability through the implementation of various projects and programs. Thus, in June 2023 a professional psychological support service called Care Connect was launched. This service is provided by the European consulting company Stimulus with the support of Intesa Sanpaolo Group.

In 2023, the Bank received prestigious awards in the field of finance and ESG. Throughout the year, the Bank received honors and awards that demonstrate our leadership and reliability in a challenging economic environment.

Recognition in the field of ESG is especially important for the Bank: the award in the UN Global Compact for Partnership for Sustainable Development-2023 for the Corporate Donor Day social project and the second place in the Best Corporate Media of Ukraine 2023 competition for the Corporate Volunteering initiative. These awards are the result of the joint efforts of the PRAVEX BANK team, which allow us to develop our business and improve the quality of customer service through innovative corporate projects.

Finally, I would like to thank all the employees of our bank for their resilience, dedication, support and daily hard work, along with the strength of spirit that everyone has demonstrated during the last year. Special thanks to those colleagues who are currently defending the country.

Gianluca Corrias

3. INFORMATION ON DEVELOPMENT AND POTENTIAL PROSPECTS FOR FURTHER DEVELOPMENT

3.1. Nature of the business

Description of the external environment in which the Bank operates

The Bank's operates in Ukraine, whose economy is classified as a developing country.

Russia's war with Ukraine has been going on for almost two years now, and in 2023 it moved from active hostilities to a positional battle of attrition. Thus, despite the fierce fighting, the front line has hardly moved. In the summer and autumn, russian air attacks focused on export infrastructure, primarily grain transshipment facilities, and in the winter on energy infrastructure. At the same time, the security situation in the Middle East has deteriorated, forcing partner countries to strengthen their own defence capabilities and find additional funds to support all partners and allies. The aggravation of these conflicts directly affects Ukraine, reducing the amount of financial and military assistance.

Despite the prolonged war, businesses and households are adapting to the war conditions. Consumer demand is picking up, lending is resuming, the stable situation in the energy sector is supporting economic activity. In the fourth quarter, real GDP growth exceeded expectations, primarily due to higher harvests of late crops and the development of alternative export routes. This also led to an improvement in the estimate of real GDP growth for 2023, to 5.7%.

Despite the strengthening of its own resource base, significant budget expenditures led to a large expansion of the consolidated budget deficit and a negative cyclically adjusted primary balance in the fourth quarter of 2023. For the year as a whole, the consolidated budget deficit reached a record high of over UAH 1,760 billion in revenues, excluding grants, or 27% of GDP (in 2022, it was 25.3% of GDP). Security and defense remained the priority areas of budget financing. At the same time, the planned state budget deficit for 2023 is higher than last year's record high.

The situation on the labour market remains challenging, despite its recovery. The main reason for this is the structural distortions in the labour market caused by the war, which prompts employers to review and increase salaries.

The rapid deceleration of inflation in 2023 to 5.1% was driven by the NBU's measures to maintain exchange rate stability, which helped improve expectations, a moratorium on increases in certain utility tariffs, good harvests and an ample supply of food, and lower global energy prices.

At the same time, steady progress in reducing inflation, the accumulation of significant international reserves, and the increased attractiveness of hryvnia assets have enabled the NBU to move to a regime of managed exchange rate flexibility starting in October 2023.

Under martial law, the banking system remained stable and liquid. Banks continue to operate smoothly, maintain liquidity, have sufficient capital reserves and continue to lend moderately. Bank branches in the liberated and free regions have almost fully resumed operations.

Depositors' confidence in banks has been maintained: the growth of customer accounts with banks continues, albeit at a slower pace than in the first half of the year. Funding grew primarily at the expense of households, and even more so than business volumes. The term structure of customer accounts improved due to further increase in hryvnia deposit rates. The volume of foreign currency funds decreased across all groups of banks, mainly at the expense of business due to year-end settlements.

In order to strengthen banks' competition for depositors and further increase interest rates on hryvnia deposits, increase banks' hryvnia term borrowings, reduce exchange rate volatility risks, and contain inflation, the NBU significantly increased reserve requirements from January 2023.

After a long pause, hryvnia lending has resumed. The volume of hryvnia loans to businesses has been growing for six months in a row. Improved financial standing of companies and a pickup in business activity have increased the demand for and supply of loans. During the war, government programs play a key role in supporting lending. At the same time, card lending and mortgages under the eOselia program became the key lending products in the retail segment.

In 2023, the NBU reduced the key policy rate in several stages from 25% to 15%, which was due to a further slowdown in inflation and the NBU's ability to ensure exchange rate stability while maintaining a sufficient level of attractiveness of hryvnia savings.

In 2023, Ukraine's international reserves increased by 42% to over USD 40.5 billion, thanks to the accumulation of financial support from partners. Given the significant foreign trade deficit, demand for foreign currency continued to significantly exceed supply, and the NBU conducted foreign exchange interventions to compensate for the structural shortage of foreign currency in the market.

In January-November 2023, the banking sector posted a profit of UAH 130.6 billion. Banks' operating efficiency remained high, and loan provisions were minimal. The main drivers of the banking sector's profitability remain the growth of interest income, mainly due to high-quality liquid assets (government bonds and NBU certificates of deposit), despite the increase in interest expenses due to higher interest rates on deposits. Due to the favourable economic environment, the share of non-performing loans decreased due to write-offs of retail loans and the transfer of some large corporate loans to performing loans.

High profitability of banks led to an increase in capital adequacy ratios.

Since the beginning of 2023, international rating agencies have affirmed and revised Ukraine's long-term foreign currency issuer default rating at the following levels due to the war with Russia:

- Fitch Ratings has affirmed Ukraine's long-term foreign currency issuer default rating at 'CC'. Citing further restructuring of commercial foreign currency debt, ahead of the two-year break in Eurobond payments on 1 September 2024.
- Standard and Poor's has downgraded Ukraine's long-term foreign currency issuer default rating to 'CCC+' from 'CCC'. Citing that Ukraine's debt service capacity remains vulnerable and depends on favourable external conditions to meet its financial obligations.

The Bank has ensured and carried out its continuous operations in the context of the full-scale war between Russia and Ukraine, which has lasted for almost two years and is constantly accompanied by massive rocket attacks and active hostilities on the front line, resulting in the continued destruction and damage to infrastructure and production facilities, complicated logistics between regions, and loss of civilian life. At the same time, further inflation, devaluation of the hryvnia, low level of labour market recovery, blocking of seaports, restrictions on agricultural markets by the EU, destruction of agricultural facilities, blocking of road transport on the border with Poland, and changes in the NBU's monetary policy are all factors that will result in further changes in the NBU's monetary policy.

Ensuring business continuity

The Bank was forced to ensure continuous operations in the context of a full-scale war that has been going on for almost two years and to focus its efforts on maintaining the status of a reliable and solvent bank, for which it took the following measures:

- continued to focus on managing liquidity and ensuring that it remains at a sufficiently high level;

- actively worked to attract customer funds, including with a focus on long-term placement of resources, which ensured the maintenance of a stable resource base and high level of liquidity;
- intensified its activities to attract and transfer funds from current accounts of retail customers to deposits with a maturity of more than 93 days in national and foreign currencies. This allowed the Bank to increase the maturity of funds attracted from customers, diversify its deposit portfolio and reduce the amount of mandatory reserve requirements on the correspondent account with the NBU;
- invested free funds in NBU certificates of deposit and government bonds to avoid liquidity risks and at the same time ensure stable risk-free interest income;
- invested free foreign currency funds in highly liquid US and French treasury securities, which provided the bank with additional risk-free interest income;
- conducted restrained and selective lending to the corporate segment within existing credit lines with strict credit risk control;
- restructured clients' credit indebtedness and took measures to avoid the growth of overdue debts;
- focused on managing the level of asset quality, taking into account the needs of customers and special circumstances in a way that minimizes losses and NPLs;
- continued to digitize its product line and focused on improving online customer service;
- worked to reduce and optimize operating and administrative expenses, including through ongoing negotiations with suppliers to keep service costs at the current level, despite further inflation and hryvnia devaluation.

Business processes of the Bank under martial law: simplification, optimization and development; ensuring the functioning of critical business processes

At the same time, despite the second year of the full-scale invasion, the Bank has been actively working on developing innovative projects and launching new solutions and product enhancements. Some of them are driven by a large number of regulatory requirements, while others are aimed at improving customer service, enhancing digital banking and developing new channels for attracting customers.

In terms of optimization and development of business processes and products, the Bank's main areas of work in 2023 were

- transition of the Bank to a new generation of the NBU's electronic payment system (SEP-4.0) based on the international standard ISO 20022.
- improvement and expansion of the functionality of Internet banking systems (PRAVEX ONLINE for individuals and private entrepreneurs and PRAVEXBANK BIZ for legal entities): remote establishment of business relations with private entrepreneurs, opening a corporate card in the application for private entrepreneurs, implementation of corporate card statements and automation of rejection of erroneous payments in PRAVEXBANK BIZ,
- modification of services/products provided to customers: (new trading terminals with the ability to connect software cash registers,
- enabling individuals to sign contracts remotely using digital signatures;
- process improvement - remote customer identification/verification and remote opening of card accounts using modern identification methods (LIDM) for individuals;
- remote closing of retail accounts;
- free card replenishment at self-service kiosks;
- registration of insurance products in a mobile application;

- replenishment of a bank deposit agreement without visiting a branch;
- transferring currency between accounts of the same client;
- extending the validity of payment cards;
- simplifying the procedure for issuing loans by simplifying and implementing a universal loan agreement for individuals;
- changes and developments related to mandatory requirements of martial law, the NBU, the Pension Fund, legislation and parent company requirements;
- bringing all the Bank's processes in line with the requirements of the NBU and other government agencies and reducing the risk of non-compliance by implementing additional controls.

Providing 24/7 customer support has been a priority since day one, which has been a key factor in helping the Bank retain customers and reduce outflows.

The uninterrupted operation of online services is ensured on a daily basis for both individuals and legal entities. If customers move to other regions, they can be served at the highest level in each branch.

To ensure business continuity and compliance with the regulator's standards for the uninterrupted operation of Ukrainian banks (the all-Ukrainian "Power Banking" network), the Bank purchased generators and wireless communication devices (StarLink terminals). As a result, as of the end of 2023, 29 branches or 64% of the Bank's network were part of the "power banking" network - these branches can operate during power outages, so any client of any bank can receive basic services in designated bank branches.

Ensuring the operation of the regional network

The following steps were taken to ensure the continuity of the Bank's regional network:

- daily analysis of the security situation in the regions and decision-making on whether or not to open branches;
- instant communication for rapid situation analysis and decision-making;
- ensuring that the branches are staffed;
- ensuring network operation during outages;
- ensuring timely collection of branches, optimising cash limits;
- inclusion of 29 branches of the Bank in the nationwide Power Banking network, a network that, according to the NBU's decision, serves all Ukrainian customers regardless of the availability of electricity;
- rapid response to NBU changes and restrictions (almost weekly) (cash withdrawals, transfers, etc.);
- prioritization of the safety of employees in decision-making since the first day of the war and throughout 2023, and it remains a priority today;
- continuing to provide organized support to all employees and their families by providing asylum in Italy.

Business support in the face of declining business activity

At the same time, the Bank is taking measures to support its customers on a 24/7 basis in the context of the extension of martial law:

- 24/7 communication with customers to resolve all customer queries;
- uninterrupted customer service in branches of any region (any branch banking principle - the client receives absolutely full services in any branch of the network);

- the Bank's ATM network was updated, with uninterrupted operation ensured 24/7, as well as timely replenishment;
- digitalization of key services and facilities: opening accounts and cards, including the ePidtrymka card, opening and closing deposits, and issuing virtual cards;
- free card replenishment at self-service kiosks;
- extending the validity of payment cards;
- uninterrupted operation of the Bank's remote customer service systems (PRAVEXBANK BIZ and ONLINE PRAVEX) was ensured;
- possibility for legal entities and private entrepreneurs to remotely update their data using a QES was introduced;
- certain fees for using corporate cards were reduced: cash withdrawals from a corporate card, free issuance of a corporate card for one year;
- the Bank introduced the possibility of lending to clients of the Small Business segment under the government program "5-7-9";

Information on managers and officials, presence of structural units

Organizational Structure of the Bank as of 31.12.2023 consisted of the following structural units of the 1st level:

- Internal Audit Department
- Risk Management Department
- Compliance and AML Department
- HR and Organization Department
- Legal and General Secretariat Department
- Cybersecurity and Business Continuity Management Department
- PR and Marketing Office
- Retail Division
- Corporate Division
- CFO Division
- CLO Division
- COO Division

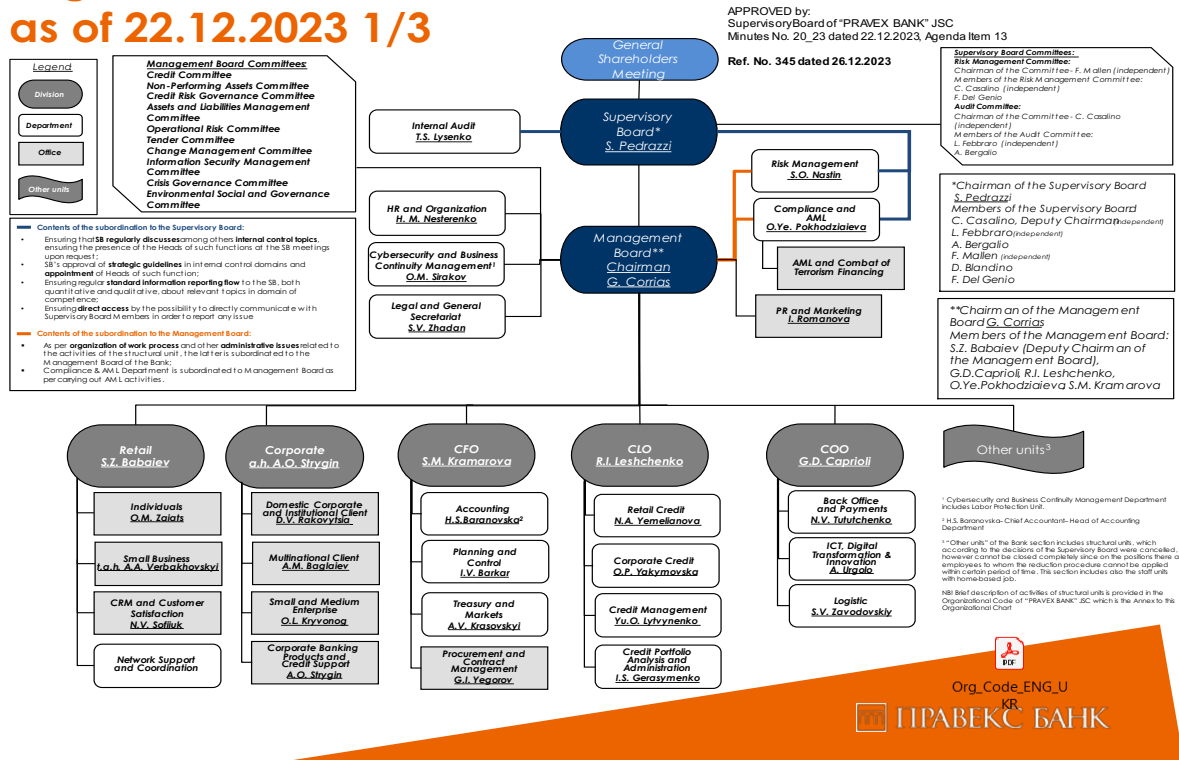
The Minutes, according to which the amendments were made in organizational structure in 2023:

1. Minutes of the Supervisory Board No. 9_23 dated 27.06.2023, Agenda item 8 (effective from 03.07.2023);
2. Minutes of the Supervisory Board No. 20_23 dated 22.12.2023, Agenda item 13.

The Bank's officers are members of the Supervisory Board, members of the Management Board, Chief Accountant and Corporate Secretary.

A schematic representation of the organizational structure as of 31.12.2023, including departments, offices and their heads, is set out below.

Organizational Chart of “PRAVEX BANK” JSC as of 22.12.2023 1/3



Disclosure of information on branches or other separate structural units

	Branch name	Address.
	Kyiv	
1	Vynohradivske branch	15/1 Svobody Ave, Kyiv, 04215
2	Demiivka branch	48, Holosiivskiy ave, Kyiv, 03039
3	Desnianskyi branch	8 Chervona Kalynya Ave, Kyiv, 02217
4	Zaliznichne branch	9/13, Chokolovsky Blvd, Kyiv, 03186
5	Industrialne branch	120 Saksaganskogo St., Kyiv, 01032
6	Instytutska branch	27/6 Instytutska St., Kyiv, 01021
7	Livoberezhne branch	18, Hetman Pavlo Polubotka St., Kyiv, 02100
8	Lukianivke branch	7, Sichovykh Striltsiv Str., Kyiv, 04053
9	Lybidske branch	155 Antonovycha St., Kyiv, 03150
10	Obolonske branch	21 Levka Lukyanenko St., Bldg. 4, Kyiv, 04205
11	Osokorkivske branch	4 Knyazhyi Zaton str. Kyiv, 02095
12	Saksaganske branch	40/10 Shota Rustaveli str. Kyiv, 01023
12.1	Remote customer service point	27, A. Malyshko str., Pluty village, Obukhiv district, Kyiv region, 08720
13	Podilske branch	32 Verkhniy Val St., Kyiv, 04071
14	Polytechnichne branch	28/1 Beresteysky ave., Kyiv, 03055
15	Novopecherske branch	3, A. Verkhoglyada St., Kyiv, 01103
16	Sviatoshynske branch	75/2 Beresteysky ave. / Kulibina str., Kyiv, 03062
17	Family Banking	10/2 Mechnikova St. Kyiv, 01133
18	Stolychnye Branch	9/2 Klovskiy Uzviz, Kyiv, 01021
19	Teatralne branch	24-A, Yevhenia Chykalenko Str., Kyiv, 01004
	Vinnitsia region	
20	Vinnitska Regional Directorate	12-A, Arkhitekтора Artynova St., Vinnitsia, 21050
	Volyn region	
21	Volynska Regional Directorate	21 Voly Avenue, Lutsk, 43025
	Dnipropetrovska oblast	
22	Dniprovska Regional Directorate	59, Shevchenko str., Dnipro, 49020
23	Kyvorizke branch	38a Gagarina Ave, Kryvyi Rih, 50027
	Zhytomyr region	

	Branch name	Address.
24	Zhytomyrska Regional Directorate	79 Kyivska St., Zhytomyr, 10001
	Zakarpattia region	
25	Zakarpatska Regional Directorate"	2 Kyivska naberezhna str., Uzhhorod, 88000
	Zaporizhzhya region	
26	Zaporizka Regional Directorate"	172 Soborni Ave, Zaporizhzhia, 69035
	Ivano-Frankivsk region	
27	Ivano-Frankivska Regional Directorate	48, Sichovykh Striltsiv Str., Ivano-Frankivsk, 76018
	Kirovohrad region	
28	Kropyvnytska Regional Directorate	3, Shevchenko St., Kropyvnytskyi, 25006
	Lviv region	
29	Lvivska Regional Directorate	15 Valova St., Lviv, 79008
	Mykolaiv region	
30	Mykolaivska Regional Directorate	35 Pushkinska St., Mykolaiv, 54029
	Odesa region	
31	Odeska Regional Directorate	77 Pushkinska St., Odesa, 65012
	Poltava region	
32	Poltavska Regional Directorate	12, 1100 - Richecha Poltavy str., Poltava, 36020
33	Kremenchutske branch	4 Halameniuka St., Kremenchuk, 39600
	Rivne region	
34	Rivnenska Regional Directorate	112 Soborna St., Rivne, 33028
	Sumy region	
35	Sumska Regional Directorate	5-A Brytanska St., Sumy, 40004
	Ternopil region	
36	Ternopilska Regional Directorate	14 Ruska St., Ternopil, 46000
	Kharkiv region	
37	Kharkivska Regional Directorate"	17 Sumska St., 19 Sumska St., Kharkiv, 61057
38	Naberezhne branch	18 Gimnaziyna Naberezhna St., Kharkiv, 61010
	Kherson region	
39	Khersonska Regional Directorate	16A Mayakovskogo St., Kherson, 73000
	Khmelnyskyi region	
40	Khmelnyska Regional Directorate	21 Podilska St., Khmelnytskyi, 29000
	Cherkasy region	
41	Cherkaska Regional Directorate	4 Lazareva St., Cherkasy, 18000
	Chernivtsi region	
42	Bukovynska Regional Directorate	1 Ivan Franko St., Chernivtsi, 58002
	Chernihiv region	
43	Chernihivska Regional Directorate	17 Mira Ave, Chernihiv, 14000

Information on the acquisition of shares

The Bank did not purchase any shares in the reporting period.

Brief description of the current business model, main products and services, remuneration received during the reporting period

The Bank has favourable service conditions, clear products and a simple mechanism for cooperation.

The Bank's principal services are:

- accepting deposits from legal entities and individuals;
- opening and maintaining current accounts for individuals and legal entities
- issuing loans to households and business entities;
- professional activities in the capital markets.

The Bank continues to implement the approved strategy, which was chosen to develop a universal bank, in particular, the Bank's current business model provides for:

- developing management and strengthening its presence in the corporate segment;
- specialized products for different categories of customers to meet their needs;

- participation in government lending programs for individuals and small and medium-sized businesses;
- focusing on attracting affluent customers and their families, as well as middle-market customers;
- attracting Mass segment customers through the involvement of PPC projects and online boarding (remote engagement)
- increasing the profitability of the Bank's products and increasing the volume and profitability of the transaction business;
- further development of existing online products and services, introduction of new ones, digitalization of the Bank's processes;
- reasonable growth in retail segment liabilities with a focus on attracting longer-term hryvnia deposits;
- reducing operating and commission costs through automation and optimization, and re-pricing of services;
- increasing the share of cross-selling by integrating the Internet banking system with the CRM system.

The Bank is constantly working to improve its products and services to its customers.

The Bank treats its customers responsibly, maintains an ongoing dialogue with them and maintains excellent business relations.

3.2. Management's objectives and strategies for achieving these objectives

Information on priorities for action to achieve results

The main priorities and key tasks of the Bank's management for 2023, taking into account the peculiarities of the macroeconomic environment in which the Bank operated, were as follows:

- ensuring the Bank's ability to continue as a going concern;
- creating and maintaining a safe environment for employees and customers;
- ensuring and maintaining liquidity at a sufficiently high level
- controlling operational risks and their impact on the Bank's activities;
- controlling credit risks and working to improve asset quality management;
- complying with the regulator's requirements for the amount of regulatory capital and capital ratios;
- improving the Bank's operating efficiency and reducing losses.

Criteria for measuring success and evaluating achievements

The Bank successfully fulfilled all of its priorities, including:

- ensured continuous operations by creating safe conditions for employees and customer service. The Bank did not experience any technical failures and provided a full range of banking services to its customers without interruption. The Bank complies with the regulatory requirements in terms of joining the national network of uninterrupted customer service Power Banking, which includes 29 regular branches out of 40 equipped with generators and starters.
- maintained liquidity at a sufficiently high level. Thus, all the Bank's liquidity ratios exceeded the thresholds set by the NBU by a significant margin: the net stable funding ratio (NSFR) - by 100.9 pp, the all-currency liquidity coverage ratio (LCR) - by 122.4 pp, and the foreign currency liquidity coverage ratio (LCR) - by 6.6 times.
- maintained operational risk limits within the established values. There was no breach of risk appetite limits (RALs).

- controlling the quality of the loan portfolio by using an early warning system, actively negotiating with customers and restructuring loans. As a result of the effectively chosen policy and strategy for dealing with non-performing loans, and its successful implementation, the Bank ensured a very high quality loan portfolio (one of the best in the banking system of Ukraine, as of 01.01.2024, it was 37.4% - determined in accordance with the rules of NBU Resolution No. 351). The level of NPL (non-performing loans, calculated in accordance with the rules of the NBU Resolution No. 351) as of 01.01.2024 was 14.8% of the total loan portfolio after deduction of provisions, solely due to a decrease in the volume of the performing loan portfolio due to repayment of customer debts. At the same time, the absolute amount of NPL decreased by UAH 30 million or 8% compared to December 2022.
- continuously working to maintain a sufficient level of regulatory capital, without additional support from the shareholder, solely through its own implemented measures. As a result, the capital adequacy ratio increased by 4.6 p.p. compared to December 2022 and amounted to 18.5%, while the core capital adequacy ratio increased by 4.2 p.p. and amounted to 16.9%, respectively.
- reducing the Bank's loss in 2023 to UAH 93 million, which is UAH 322 million less than the loss in 2022 (UAH 415 million).

Significant changes in goals and achievements during the reporting period;

There were no significant changes in the Bank's goals in 2023 compared to the previous year, but in the reporting period the Bank ensured better performance.

Disclosure of information on research and development activities

In the reporting period, the Bank did not carry out any research and development activities.

3.3. Resources, risks and relationships

Key financial and non-financial resources and their use to achieve goals:

Capital structure

Regulatory capital is one of the most important indicators of the Bank's performance, the main purpose of which is to cover the negative effects of various risks assumed by the Bank in the course of its activities and to ensure the protection of deposits, financial stability and stable operation of banks.

In order to determine the real amount of regulatory capital taking into account the risks in its operations, the Bank constantly assesses the quality of active banking operations and determines the amount of credit risk in accordance with the NBU requirements.

The Bank's capital is formed with a purpose:

- cost-effective use of own funds;
- covering all possible types of risks assumed by the Bank;
- optimizing the structure of assets and liabilities by the maturity of funds raised and placed.

As of December 31, 2023, in accordance with the NBU requirements, banks are required to maintain a capital adequacy ratio (N2) of 10% and a core capital adequacy ratio (N3) of 7% in relation to risk-weighted assets calculated in accordance with the NBU regulations.

As of December 31, 2023, the Bank was in compliance with the regulatory capital adequacy ratio (N2) of 18.47% (December 31, 2022: 13.87%) and the core capital adequacy ratio (N3) of 16.90% (December 31, 2022: 12.70%).

The amount of regulatory capital as of December 31, 2023 is UAH 676,148 thousand (December 31, 2022: UAH 678,658 thousand).

The Bank's resources are formed by:

- the Bank's own funds;
- the funds of the Bank's customers (legal entities and individuals) held on accounts (deposits) with the Bank, as well as funds raised for a fixed term and on demand.

The Bank constantly maintains its readiness to fulfil its obligations in a timely manner and in full by adjusting its balance sheet structure.

Financial mechanisms, liquidity, cash flows

The key financial and non-financial resources for achieving the Bank's goals are share capital, cash flows, human resources, intellectual capital, and technological resources.

In general, despite the difficult operating environment and ongoing challenges in 2023, the Bank was able to maintain a sufficient level of liquidity and solvency.

In 2023, the Bank's liquidity increased due to attracting new deposits and reducing the loan portfolio.

Excess liquidity in the national currency hryvnia was largely utilized by purchasing NBU certificates of deposit (CDs). The NBU's portfolio of CDs increased from UAH 3.3 billion at the beginning of the year to UAH 3.6 billion at the end of 2023 (including the portfolio of CDs with a maturity of up to 3 months - UAH 1 billion).

Starting from September 2023, the Bank formed a portfolio of domestic government bonds in the amount of UAH 209 million.

In addition to maintaining balances on correspondent accounts, Intesa Sanpaolo started placing interbank deposits and purchasing foreign currency securities (hereinafter referred to as "foreign currency securities") in foreign currency (US Treasuries and European government securities).

Technological resources

The main areas of activity of PRAVEX BANK in 2023 in the field of information technology were due to the extension of martial law in Ukraine and the introduction of regulatory requirements during this period, as well as the need to implement projects aimed at improving and expanding the functionality of digital banking, new channels for attracting and servicing customers in special conditions.

The Bank implemented a number of initiatives to modernize and improve products, as well as to upgrade the existing infrastructure and optimize processes, both in the business line and in supporting processes, including back-office processes. The three main drivers of IT activities in 2023 were: supporting and expanding new channels of customer interaction and service, ensuring compliance with new regulatory requirements, and IT security and ensuring the Bank's resilience and business continuity.

In 2023, PRAVEX BANK continued to use cloud storage outside Ukraine and to copy and store the most important data in the cloud environment in the European Union (Germany), which also became a prerequisite and basis for starting work on building a backup data center using cloud services provided using equipment located in other countries.

Infrastructure and telecommunications were aimed at providing uninterrupted power supplies, power banks and generators to critical infrastructure, personnel performing and supporting critical processes and operations, and the Bank's network personnel. To ensure the availability of independent alternative communications, the Bank purchased and installed stalwarts

(a global satellite system designed to provide Internet access in hard-to-reach areas) at all critical branches and a data center at the head office.

In terms of development of application and remote customer service channels, the main areas of work of PRAVEX BANK in 2023 were:

- changes and developments related to mandatory requirements and peculiarities of martial law, namely: establishment and control of restrictions on operations, restrictions related to the expansion and change of sanctions lists, introduction of specific products (opportunities to receive compensation from the state for the restoration of housing), etc;
- improvement of new remote channels for attracting customers (onboarding), the introduction of which was due to the inaccessibility/limited availability of the Bank's branches during martial law, and expansion of the number of services that customers can receive without visiting the Bank's branches using the PRAVEX Online Internet banking system for individuals or PRAVEX Business Internet banking system for legal entities (modification of the procedure for opening current accounts and payment cards, opening and renewing deposits, selling foreign currency for deposit, changing the
- optimizing the efficiency of PRAVEX Online (monitoring and analyzing the current operation of PRAVEX Online services, as well as improving the operation of the services);
- continuing work on optimizing and automating processes and procedures of both its business and supporting units. Thus, in order to reduce the volume of manual operations, operational risks and lead times, the Bank optimized and automated such back-office processes as SWIFT payment processing; developed additional tools and functionality to control operations performed by the back-office (closing of the business day, control of tax payments by legal entities), etc;
- other changes and developments related to the requirements of the National Bank of Ukraine, the Pension Fund, legislation, payment systems and parent company requirements (updating MoneyGram software; processing incoming SWIFT payments in XML format; introducing a new payment document for transactions in foreign currency and precious metals; verification of payments in the non-resident register; introduction of structured payment purpose API; introduction of new services of the Automated Enforcement System used for notification of
- modification of services/products provided to customers (introduction of the eOselia product, improvement of the registration process, new deposit products, etc.);
- changing corporate products in accordance with the mandatory requirements of the NBU and other government agencies;
- modification and development of software related to the requirements of anti-money laundering legislation, including mandatory restrictions related to martial law and the implementation of the law on payment services, etc;
- bringing the Bank's processes in line with the requirements of the NBU and other government agencies and reducing the risk of non-compliance by implementing additional controls.

Risk management system, risk management strategy and policy, material types of risks, their changes and mitigation plans

Risk management system, risk management strategy and policy.

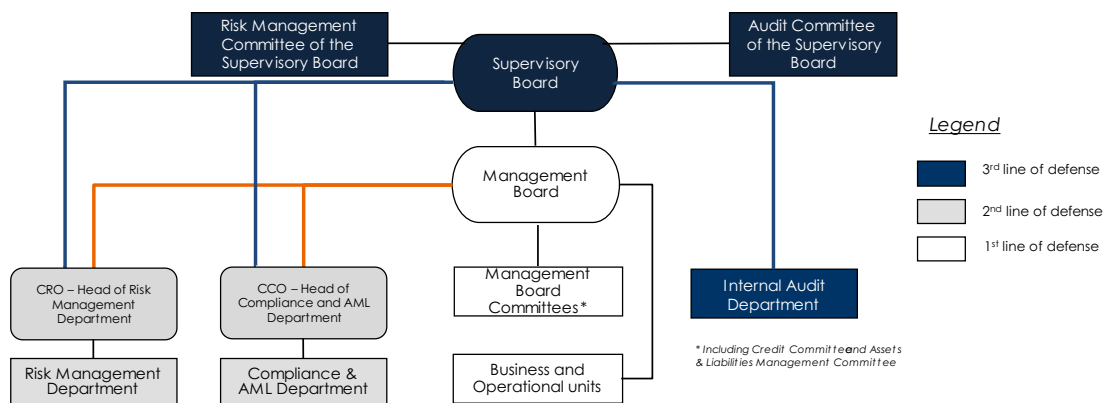
The Bank manages risks through a risk management system that is comprehensive, adequate and effective. The risk management system was developed taking into account the specifics of the Bank's operations, business model, nature and volume of transactions, risk profile, current

legislation of Ukraine, regulations (and recommendations) of the NBU, best practices, internal regulations and instructions of the Parent Company and the Bank.

The risk management system ensures continuous risk analysis in order to achieve an optimal balance between risk appetite and business strategy, improve the process of making timely and adequate management decisions on emerging risks and their mitigation, reduce losses by controlling the ratio of risk management costs to the costs that may be incurred as a result of such risks, ensure the functioning of an effective risk management process and clear delineation of functions and tasks of all divisions of the Bank.

The risk management system includes the definition of an organizational structure with three lines of defence within separate processes, a system of internal risk management documents, an information system and management tools.

The Bank's overall performance is largely dependent on the chosen risk management framework. The organizational structure of the Bank's risk management is set out in the table below:



The Bank's risk management function includes the Risk Management Department. The Bank's system of internal documents establishes the principles of the risk management system by defining processes, limits, relevant functions and responsibilities. The documents also specify risk limits and principles of risk acceptance by type of activity and define the necessary actions in case of exceeding the limits.

The Bank has a risk management system, which consists of the permanent Risk Management Committee of the Supervisory Board and committees of the Management Board: Credit Committee, Credit Risk Governance Committee, Non-Performing Assets Management Committee, Assets and Liabilities Management Committee, Operational Risk Committee, Tender Committee, Environmental, Social and Governance Committee, Change Management Committee, Information Security Management Committee and Crisis Management Committee. In the process of risk management, the Bank identifies the following significant types of risks, including financial risks inherent in its operations: credit risk, liquidity risk, interest rate risk of the banking book, market risk - and non-financial risks: operational risk and compliance risk.

The purpose of the banking risk management process is to limit or minimize risks, as it is impossible to avoid risks completely. The Bank defines the following risk management objectives: to achieve an optimal balance between risk appetite and business strategy; to improve the decision-making process with respect to emerging risks and their mitigation; to reduce losses by controlling the ratio of risk management costs to the costs that may be incurred as a result of such risks; to ensure the functioning of a continuous and effective risk management process, as well as to maintain risk awareness and risk culture among all employees of the Bank.

The risk management process is a set of rules, procedures, human /technological/ organizational resources and control activities aimed at identifying, measuring or assessing,

monitoring, controlling, reporting and managing risks. Risk management is implemented through the following approaches and methods: risk avoidance (rejection of risky projects), acceptance through containment (setting risk appetites and limits to determine the level of acceptability of the risk return trade-off), mitigation through diversification (diversification of activities, distribution of risk over time, allocation of responsibility between parties to a transaction) and compensation (insurance and hedging used for credit risk, interest rate risk of the banking book and operational risk).

The Bank's risk management process consists of the following stages:

- Identification;
- Measurement and evaluation (methods and tools);
- Monitoring and control;
- Reporting;
- Management.

At each stage, all units of the first, second and third levels of protection have certain responsibilities.

At the current stage of the Bank's development, the most significant financial risks are credit risk, liquidity risk, market risk and interest rate risk of the banking book, and non-financial risks are operational risk and compliance risk. The Bank's risk management strategy and policies allow the Bank to identify and analyze the above types of risks, set risk appetites and acceptable limits that can be quantified within the approved risk appetite, and monitor them on an ongoing basis, based on advanced administrative and information systems. The Bank also recognizes other types of risk that are inherent in the Bank's activities, but are neither material nor major: strategic risk and reputational risk.

The risk management strategy and policy aim to achieve the following objectives:

- Maintaining risk awareness and risk culture;
- Achieving an optimal balance between risk appetite and business strategy;
- Improving the decision-making process for emerging risks and mitigating them;
- Reducing losses by controlling the ratio of risk management costs to the costs that may be incurred as a result of such risks;
- Ensuring the functioning of a continuous and effective risk management process.

The risk management strategy and policy provide for the use of the full range of risk mitigation tools and the use of each specific tool depending on the type of risk.

The main task of the Risk Management Department is to ensure full separation of activities of the divisions selling banking products and risk management. The Risk Management Department independently analyses and makes decisions within its competence or proposes them to the relevant collegial decision-making body if its level of authority is exceeded. The Bank is exposed to risks in each area of its business. To mitigate risk, the Bank has implemented a risk assessment and control system that operates in accordance with the Bank's internal regulations, as well as the requirements and recommendations of the NBU, Intesa Sanpaolo Group, internal auditors, the Basel Committee on Banking Supervision and the experience of leading financial institutions.

The Bank performs quarterly stress testing of financial and operational risks to assess potential losses in crisis situations, determine capital adequacy and develop a response system. The Risk Management Department reports on the results of stress testing at the meetings of the Management Board and the Supervisory Board. Stress testing is defined in the Bank's relevant documents, namely policies, rules and procedures.

In accordance with NBU Resolution No. 23 dated 25.02.2022, which describes the Rules for the operation of banks in connection with the introduction of martial law in Ukraine, banks are required to conduct stress testing of risks starting from the next quarter after the termination or cancellation of martial law.

The main categories of risk inherent in the Bank's business are credit risk, liquidity risk, market risk, interest rate risk of the banking book, foreign currency risk (a component of market risk), operational risk and compliance risk.

Material types of risks, their changes and mitigation plans

A full-scale war and related security risks remain a key factor affecting the economy and the financial sector, and significant military spending is increasing the economy's dependence on international financial support, which in turn poses a major threat to macro stability. Nevertheless, further economic growth is expected, the foreign exchange market will remain under control, and hryvnia investments will remain attractive.

During 2023, the Ukrainian economy slowly recovered from the steep decline in 2022 as a result of widespread Russian aggression. The loss of human capital and the destruction of infrastructure, including energy infrastructure, as a result of further Russian terrorist attacks and hostilities caused the economy to plummet in 2022 and somewhat hindered its recovery in 2023. High levels of risk and uncertainty persist, making it difficult for the financial sector to operate, but leading global powers and international organizations have expressed their unwavering intention to continue to provide support as long as necessary.

Like the central banks of most emerging markets, the NBU responded to all challenges and the situation on international markets and moderately eased its monetary policy, in particular, by reducing the key policy rate, which the NBU forecasts will remain at 15% until the end of 2024, given the expected inflation rate. The NBU also switched to a managed exchange rate flexibility regime in October 2023, which had a somewhat negative impact on banks' foreign exchange risks due to the accumulation of significant foreign currency reserves last year and changes in the calculation of the open currency position in response to the significant devaluation of the fixed exchange rate in July 2022.

After a pause, lending, in particular in hryvnia, has picked up, particularly in the local currency. In addition, banks are actively participating in government support programs, and demand for "Affordable Loans 5-7-9%" continues to be strong. The improved financial position of companies also has a positive impact on the interest of corporate clients in lending to revive and support their business activities. The retail sector has also seen growth in unsecured consumer and mortgage lending, but mortgages are mostly concentrated in state-owned banks under the government's eOselia program.

Overall credit risk losses decreased significantly due to lower provisioning costs as banks mostly released provisions for their performing loan portfolios. Although the peak of credit losses from the full-scale war has passed, credit demand remains at a rather low level. In addition to some lack of effective demand, lending is constrained by moderate banking standards that have been tightened in the wake of the war, but banks are generally sufficiently interested in lending, willing to take moderate credit risks and, in the event of a negative scenario, to ensure effective management of non-performing loans.

The significant decrease in the NBU discount rate affected the yield on highly liquid assets, in particular, the share of income from certificates of deposit decreased, while the average yield on domestic government bonds increased slightly. In addition, interest income saw an increase in lending income, while the cost side declined in response to the key policy rate cut. In addition, the achieved profitability is sufficient to cover capital adequacy ratios, including all expected operational and market risk requirements. In 2024, a new regulatory capital structure and new minimum capital adequacy requirements are expected to be introduced.

The banking sector remains highly liquid, but the structure of highly liquid assets (HQLA) in foreign currencies is changing somewhat, as the NBU continues to gradually align local requirements with European ones in terms of withdrawing correspondent accounts with foreign

banks from HQLA. The vast majority of banks meet liquidity ratios with a significant margin. Traditionally, almost all customer funds received by banks remain on current accounts, so the term structure of funding is deteriorating. The accumulated excess liquidity in the banking sector and the weak response of deposit rates to changes in the key policy rate prompted the NBU to tighten its reserve requirements. Starting in January 2023, the NBU's mandatory reserves for hryvnia and foreign currency funds from growth in current accounts only were transformed during 2023 into new requirements for all types of deposits of legal entities (except other banks) and individuals. Thus, the requirements increased in national currency from 0% to 10% for all corporate deposits and from 0% to 20% for current accounts and deposits of up to 92 days for individuals. For foreign currencies, the reserve requirements were already in place, but they have been significantly tightened, in particular, all deposits in foreign currencies of legal entities must be reserved at 20% instead of 10%, while current accounts and deposits of up to 92 days of individuals require 30% reserve (10% in the previous year) and only deposits of individuals with an initial maturity of 93 days or more remained at the same level as last year - 10%. As a result of the decision, financial institutions are required to keep significantly more funds on their correspondent accounts with the NBU to meet the reserve requirement. Part of the reserve requirement can be met by holding government bonds from a certain list. Raising reserve requirements does not remove all excess liquidity from the market, but it does require banks to take much more effort to manage their funding. In particular, the maturity of deposits across all customer groups has changed, as banks are forced to provide more incentives to encourage inflows of term funds by raising deposit rates. However, banks are becoming less interested in attracting foreign currency deposits due to the significant impact of provisioning requirements, which prevent them from earning higher returns on hryvnia investments, and weak demand for foreign currency loans, so incentives are mostly focused on hryvnia deposits. As a result, foreign currency deposits are becoming less attractive to customers, and given that the yield on hryvnia deposits somewhat offset the risks of devaluation, there has been a steady decline in the level of dollarization of customer accounts.

In 2023, the NBU conducted a resilience assessment of the banking sector to confirm its strength. The results show that banks have had a sufficient margin of safety during the current crisis period, but that some banks need to ensure compliance with increased capital adequacy ratios. This is mainly due to long-standing portfolio quality and business model issues. In particular, the banks on the list of those subject to the increased required ratios were driven by credit risk losses, low interest margins, and operating efficiency (in particular, a high ratio of operating expenses to income). In 2024, the banks and the NBU will focus on conducting independent asset quality assessments if security conditions are conducive to this, so that the NBU will return to traditional stress testing as part of its resilience assessment in 2025, which will include both baseline and adverse macroeconomic scenarios.

Based on the results of the NBU's assessment of the banking sector's stability as of April 1, 2023, the Bank was assigned increased required levels of regulatory capital adequacy (H2) and core capital adequacy (H3), which amount to 33.7% and 30.7%, respectively (for the 0% thresholds until September 30, 2024), and 40.6% and 37.6% (for the thresholds corresponding to the regulatory values until March 31, 2026).

Compliance with the minimum capital requirements is not sufficient to ensure the resilience of the banking system, although capital risk remains moderate, primarily due to the substantial safety margin accumulated before the war. Most banks still hold capital in excess of the minimum requirements. However, this excess buffer is likely to disappear. Some financial institutions are already in breach of minimum capital adequacy requirements. The NBU does not impose penalties for violations of capital requirements caused by the war. The regime of regulatory relaxation will continue for a long time, but some banks are expected to comply with the enhanced capital adequacy ratios as early as 2024. In the future, the requirements for banks will be transformed in light of changes to banking legislation. The regulator is already returning to the need for banks to

prepare methodologies for the new regulatory capital structure and corresponding adequacy ratios, including market and operational risks, to bring local requirements in line with European standards.

In addition, the NBU is reintroducing a significant part of the requirements that were postponed due to martial law, including testing of the internal capital adequacy assessment process (ICAAP) report, updating of recovery plans, and preparation of reports in the format of statistical reporting files on operational risk, market risk, and interest rate risk of the banking book in 2024.

Banks have been able to adapt to the conditions of the ongoing war: branches are resuming operations, and financial institutions are slowly optimizing their network and staff costs. The risks of blackouts remain a challenge for banks, but projects have already been implemented to ensure continuous services even in the event of a prolonged power outage, and the strengthening of air defence partially mitigates the threat of significant damage and prolonged power outages.

One of the Bank's main risks in 2023 remained the external political risk associated with Russia's attack on the territory of Ukraine. The main risk factors are: loss of human resources and material assets due to a full-scale war; availability of loans and placing their collateral in regions where active hostilities are taking place.

Financial and operational risk management is overseen by the Risk Management Department; compliance risks and related controls are managed by the Compliance and AML Department.

To mitigate the negative impact of financial risks and operational risks on the Bank's operations, the Risk Management Department takes the following actions:

- regularly updates internal documents;
- monitors the level of risk appetite and the limits set by the Bank on a monthly basis and signals the need for an escalation process;
- conducts a stress test at least once a quarter;
- analyses new products and services in terms of risk impact;
- timely and complete prepares the risk reports for the Bank's corporate bodies in accordance with the frequency and reporting forms established by the relevant internal documents.

With regard to hedging operations, the Bank's Risk Management Strategy and Policy, among other things, states the possibility of applying the risk management approach as mitigation through compensation, i.e. regulation within the framework of risk management methods through insurance and hedging. However, it should be noted that the Bank does not currently engage in any risk hedging transactions.

Credit risk

Credit risk. Risk factor: overdue debts and accrued outstanding income. The Bank's impact: in 2023, the Bank continues to work with clients to gradually repay bad debts, which reduces the level of existing risk and negative impact on the Bank's ratios, and also returned to regular revaluation of collateral; restrained and selective lending to corporate and retail segments with strict credit risk control.

Financial (market) risk

Currency and commodity risks. Risk factor: dependence on fluctuations in foreign exchange rates and changes in commodity prices (precious metals). The Bank's impact: control over the open currency position, achievement of the maximum possible size of the "closed" position, taking into account the peculiarities of settlements introduced by the NBU in 2022 and the transition to the regime of managed exchange rate flexibility in October 2023.

Interest rate risk is the dependence on fluctuations in interest rates on financial instruments. The Bank pursues a prudent policy to achieve a balance between assets and liabilities.

Interest rate risk of the banking book is the possibility of losses or additional losses or shortfall in planned income as a result of the impact of unfavourable changes in interest rates on the banking book. It refers to the current or anticipated risk to the Bank's capital and income arising from unfavourable changes in interest rates affecting the position of the banking book. Changes in interest rates affect the present value and timing of future cash flows. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items and, consequently, its economic value (EVE). Changes in interest rates also affect the Bank's income by changing interest-sensitive income and expenses, which affects net interest income (NII).

The objective of interest rate risk management of the banking book is to keep the Bank's interest rate risk exposure within the parameters set by the Bank within the range of possible changes in interest rates.

To mitigate the impact of interest rates on the Bank's operations, in addition to the actions already identified, the Risk Management Department takes the following actions:

- performs a monthly GAP analysis of interest-bearing assets and liabilities;
- performs monthly analyses of the dynamics of yield curves in major currencies (hryvnia, dollar, euro);
- assesses the interest rate risk of the banking book on a monthly basis by calculating offsets for:
- economic cost of capital of EVE according to the Parent Company's approach - increase in the yield curve by 100 bps (the Bank's value was observed within the established risk appetite (RAF): as of 31.12.2023, the value is EUR -0.28 million, the risk appetite is EUR +1.5 / -4 million; as of 31.12.2022, the value is EUR -0.75 million, the risk appetite is EUR +1.5 / -4 million);
- NII net interest income according to the Parent company approach - negative result for the increase/decrease of the yield curve by 50 b.p. (the Bank's value was observed within the established risk appetite (RAF): as of 31.12.2023, the value is EUR -0.06 million, the risk appetite is < EUR -1 million; as of 31.12.2022, the value is EUR -0.11 million, the risk appetite is < EUR -1 million);
- economic cost of capital EVE and net interest income NII according to the NBU approach - maximum negative shift (the Bank's values were within the established risk appetite (RAS)).
- performs a monthly analysis by maturity and individual currencies (the Bank's values were within the established limits);
- sets the ratio of the quantitative assessment of the interest rate risk of the banking book (maximum negative value calculated according to the NBU approach) for NII to the Bank's profit (complied with: as of 31.12.2023, the value is 21.35%, the limit is <35%; as of 31.12.2022 is 4.54%, the limit is <25%) and for EVE to the Bank's regulatory capital (complied with: as of 31.12.2023 the value is 0.80%, the limit is <35%; as of 31.12.2022 it is 3.85%, the limit is <35%).

The Risk Management Department is responsible for developing certain high-level internal documents required to ensure effective management of interest rate risk in the banking book: policies, guidelines and key documents such as methodologies, implementation procedures, etc. The high-level documents should include objectives, organizational process, reporting forms and frequency, risk appetites and limits, and escalation process, and should be approved by the relevant collegial body. The main documents must also be approved by the relevant collegial body. The Bank may combine internal documents into one or more. Foreign currency risk arises from

unfavourable fluctuations in foreign exchange rates affecting assets, liabilities and off-balance sheet positions held in the Bank's trading and banking books.

The Bank's main approach and instrument for managing currency risk is limitation. The Bank uses this tool by setting risk appetites and limits:

- on the ratio of value at risk (VaR) to regulatory capital (complied with: as of December 31, 2023 - 0.08%, risk appetite - 16%; as of December 31, 2022 - 0.18%, risk appetite - 1%);
- on the total open currency position of the Bank, in accordance with the NBU regulatory requirements for regulatory capital (complied with: as of December 31, 2023, the value of the Bank's total short open currency position is 1.00% and the total long open currency position is -0.27%, the limit is < 5% for the total short and long open currency position; as of December 31, 2022 - respectively 2.46% and 0.56%, the limit is < 5% for the total short and long open currency position);
- internal currency position limits by currency were complied with for USD and EUR separately and for the Bank's total open currency position in absolute terms for all currencies.

The system of internal limits allows for comprehensive and adequate management of currency risk exposure using the Bank's risk management principles. To manage foreign currency risk, the Bank has set overall risk appetite and limits in accordance with the NBU requirements. Such limits are necessary to prevent unexpected losses from significant fluctuations in foreign exchange rates.

The currency risk factor is dependence on foreign exchange rate fluctuations. The Bank's impact: control of the open currency position, achievement of the maximum possible size of the closed position, taking into account the peculiarities of settlements introduced by the NBU in 2022 and transition to the regime of managed exchange rate flexibility in October 2013.

The Bank considers the risk factors for other types of risks to be insignificant.

Taking into account the above risk factors, the Bank has strengthened its risk management system, ensuring proper identification, objective assessment, continuous analysis, monitoring, control and reporting to ensure that all stakeholders are aware of the risks and maintaining continuous communication to respond to emerging risks as quickly as possible.

The Bank complied with economic liquidity and capital ratios and open currency position limits calculated in accordance with the NBU regulations as of December 31, 2023.

Operational risk

Risk factors: The Bank's main risk is external risk due to the military invasion of Ukraine by Russia. The following factors are personnel, systems and information technology, and process execution. The Bank's influence: the external factor cannot be influenced by the Bank, but it takes measures to minimize losses from the loss of human resources and material assets whenever possible. For other operational risk factors, the Bank acts in accordance with the Business Continuity Plan (BCP).

Liquidity risk

Risk factors: certain mismatches between the timing of attracting funds from customers and the placement of the Bank's resources, due to the market situation and the structure of the Bank's balance sheet, instability of the resource base of the banking system. The Bank's impact: control of liquidity gaps, attraction of funds from customers, investment in highly liquid assets, prudent lending policy.

The objective of liquidity risk management is to provide a high degree of assurance that the Bank has the ability to both meet its daily liquidity requirements and to withstand periods of

liquidity stress, affecting both its secured and unsecured funding, which may arise from a particular bank or the wider market.

Liquidity management is carried out by the Treasury and Markets Department of CFO Division in the following stages: daily, weekly and monthly liquidity planning.

At the stage of daily liquidity planning, all incoming and outgoing cash flows in national and foreign currencies for the current and previous days are analyzed, future cash flows are analyzed based on payment calendars and liquidity forecasts as at the end of the current day are made, the structure of the Bank's assets and liabilities and its changes are analyzed.

The Treasury and Markets Department of CFO Division takes the following actions:

- calculates the maximum use of liquidity within a business day - the maximum cumulative negative balance between incoming and outgoing payments on the Bank's correspondent accounts from the beginning of the day to the time of settlement. The Bank calculates this indicator at least once an hour, both for all transactions and excluding transactions with the National Bank of Ukraine and other banks;
- calculates the available instant liquidity at the beginning of each business day - the amount of high quality liquid non-cash assets (funds on correspondent accounts) available to the Bank at the beginning of the business day. The Bank calculates this indicator both in total (gross) and without taking into account cash flows from transactions with the National Bank and other banks (net);
- maintains a positive correspondent account balance with the NBU;
- ensures compliance with the mandatory reserve requirements set by the NBU;
- ensures that high quality liquid assets exceed the minimum level set out in the relevant documents.

The Treasury and Markets Department of CFO Division, based on the liquidity gap report, makes forecasts based on data received from structural units on future active and passive transactions.

Based on forecast information from structural units, a monthly report is prepared for the Assets and Liabilities Management Committee on the liquidity position for up to six months by major currencies and liquidity ratios are forecasted.

The term liquidity management process is managed by the Treasury and Markets Department of CFO Division and the Risk Management Department.

The task of managing term liquidity:

- ensuring that the Bank has sufficient funds to meet its liquidity needs within a specified period;
- creating conditions to avoid forced sale of assets with a loss of value to meet the Bank's obligations;
- creating conditions for minimizing the additional need for high-quality liquid assets and attracting additional resources with higher value;
- complying with the NBU's liquidity requirements;
- achieving the Bank's strategic goals.

Liquidity risk management is overseen by the Risk Management Department.

To mitigate the impact of liquidity risk on the Bank, the Risk Management Department takes the following actions:

- regularly updates internal documents on liquidity risk;
- performs daily analysis of high quality liquid assets (HQLA) and their trends;
- calculates daily the NBU's liquidity indicators, such as the LCR in all currencies and the LCR in foreign currencies; NSFR in all currencies, NSFR in foreign currencies and NSFR in hryvnia are calculated on a daily basis;
- monitors internal concentration limits set by the relevant documents on a daily basis;

- conducts a monthly GAP analysis based on contractual cash flows;
- weekly analyses short-term cash flows (detailed breakdown of up to 3 months); calculates LCR using the parent company approach; analyses daily changes in funding by amount, type of customer and their residence;
- assesses liquidity risk on a monthly basis by calculating LCR and NSFR based on the parent company's approaches;
- monitors the level of risk appetite and the limits set by the Bank on a monthly basis and signals the need for an escalation process;
- conducts a stress test at least once a quarter;
- analyses new products and services from a liquidity risk perspective;
- prepares timely and complete reports on liquidity risk for the Bank's corporate bodies in accordance with the frequency and forms established by the relevant internal documents;

Liquidity management in the event of a crisis:

- identifying primary alarms, monitoring them on an ongoing basis and identifying procedures to be implemented when a lack of liquidity becomes apparent;
- legalizing the actions of managers responsible for managing liquidity in a stressful situation, allowing them to quickly change the structure of assets and liabilities;
- a clear list of immediate action and intervention measures to address the emergency.

A liquidity emergency is defined as a situation of difficulty or inability of the Bank to meet its monetary obligations as they fall due, without the use of instruments, due to their intensity or use, which does not qualify as normal business.

Liquidity emergencies can be caused by market conditions or any specific banking situation; in terms of duration, they can be classified as temporary (lasting for several days) or long-term. Liquidity management in crisis circumstances caused by deterioration of the Bank's financial position is set out in the Emergency Liquidity Management Plan of the Contingency Liquidity Plan (hereinafter - CLP).

CLP provides:

- identifying primary alarms, monitoring them on an ongoing basis and identifying procedures to be implemented when a lack of liquidity becomes apparent;
- legalizing the actions of managers responsible for managing liquidity in a stressful situation, allowing them to quickly change the structure of assets and liabilities;
- a clear list of immediate action and intervention measures to address the emergency.

The purpose of the CLP is to protect the Bank's assets and, at the same time, to guarantee the continuity of operations in times of extreme liquidity needs by providing:

- identifying early warning signals, monitoring them on an ongoing basis and defining procedures to be implemented in situations of liquidity stress;
- the legitimacy of the management responsible for managing liquidity in emergency situations, which should be able to quickly and, sometimes, radically change the structure of the balance sheet;
- having a strategy and measures in place to deal with liquidity emergencies (the Contingency Funding Plan (CFP)).

The system of early warning indicators can detect three different situations:

- normal operating conditions;
- preliminary warning;
- maximum warning.

Initial early warning signals are aimed at identifying signs of potential liquidity stress, both systemic (market) and specific to the Bank (intra-bank).

The Bank has implemented an intervention strategy and measures to address liquidity emergencies, which are set out in the Bank's Contingency Funding Plan (CFP).

CFP intervention strategies and tools are defined and selected according to the type, duration and intensity of the liquidity emergency ("normal", "warning", "maximum alert"), as well as the context in which the stress arises (whether the emergency is related to the Bank's specifics, i.e. internal factors, or whether the emergency is related to the market, i.e. external factors).

The Bank has also developed a system of liquidity concentration limits to prevent significant liquidity outflows and to ensure that the Bank's risk appetite is not exceeded.

Strategic risk

Strategic risk is the probability of losses or additional losses or shortfall in planned revenues as a result of incorrect management decisions and inadequate response to changes in the business environment.

The main objective of strategic risk management is to limit or minimize the risk to which the Bank is exposed, as well as to ensure maximum preservation of assets and equity while minimizing (eliminating) losses by introducing a reasonably sound system of strategic planning and monitoring of decision implementation at all organizational levels.

Strategic risk is controlled by the Planning and Control Department of CFO Division as the main unit that coordinates the budget process, consolidates, analyses and controls the budget.

To minimize strategic risk, the Planning and Control Department uses the following planning tools:

- Business plan
- Annual budget
- Current year forecast

If necessary, based on the results of the review, the corporate bodies may decide to amend the Bank's policy in the relevant direction in order to implement the strategy or instruct the Planning and Control Department of CFO Division to provide additional calculations with justifications.

Legal risk

Legal risk is the probability of losses or additional losses, or a shortfall in planned income as a result of unexpected application of legal provisions due to the possibility of their ambiguous interpretation or as a result of invalidation of contractual terms due to their non-compliance with the requirements of Ukrainian legislation.

Ukrainian legislation is undergoing active reform and development under the influence of European integration, technological innovations and martial law. These rapid changes increase the risk of both imperfect legislation and ambiguous application.

The Bank strives to continuously monitor legislative developments, starting with the early identification of rulemaking initiatives and ending with the monitoring of law enforcement practices.

In terms of the validity of contracts, the court practice has become more stable than some time ago. However, even in such circumstances, the legal positions of the courts on certain issues are evolving, requiring the bank to take risk management actions.

The Bank monitors court practice to identify at least the most risky changes.

In both cases, after identifying potential or actual legal risks, the bank assesses their impact on its operations, identifies and implements measures to eliminate or mitigate the negative impact. Such measures include the introduction or revision of business processes, standard contractual documentation and internal documents of the bank so that the residual legal risk is acceptable.

The Bank's managers and relevant functions are aware of the main legal risk factors.

The Bank's key legal risk management unit is the Legal and General Secretariat Department.

Information technology risk

Information and communication technology (ICT) risk is the probability of an event and its consequences associated with the use of information technology.

Risks in the field of information and communication technologies are divided into two types:

- risks that may arise as a result of personnel actions;
- technological risks, which also include equipment failures or malfunctions.

The process of risk management in the field of information and communication technologies includes the process of risk identification, the process of risk assessment and the process of implementing measures aimed at reducing the risk to an acceptable level.

The risk identification process involves periodic reviews of the Bank's systems as changes occur or problems are identified.

The risk assessment process takes into account the likelihood of the risk occurring, the magnitude of the consequences and the possibility of recurrence.

The type and list of risk mitigation measures are determined based on the nature of the risk and the threats it poses.

The Bank is working with internal stakeholders, under the guidance of the parent company, to implement the Bank's digital transformation, strengthen the group's operating model, and improve processes, programs and infrastructure. In 2023, the risk of availability and continuity of information systems was minimized by implementing the following approaches: identification of critical information system processes and information systems used to support critical business processes and appropriate contingency planning to ensure availability, continuity and recovery of critical systems and critical infrastructure; procedures for backup and recovery of critical software and critical data.

ICT risk (information and communication technology risk, a component of operational risk) is the probability of losses or additional losses or shortfall in planned income due to malfunction or inconsistency of information and communication technologies with the Bank's business needs, which may lead to disruption of their stable functioning, or shortcomings in the management of such technologies.

Information security risk

In 2023, the issues of ensuring information security against the backdrop of military aggression sharply escalated. To mitigate these risks, the Bank calculated the information security and business continuity risks in accordance with the approved methodology, and updated and approved it:

- Methodology for analysis and processing of information security risks of "PRAVEX BANK" JSC No. 7 dated 10.01.2023,
- Reports on risk assessment for critical business processes of "PRAVEX BANK" JSC No. 92 dated 30.03.2023"
- Risk minimization plan for critical business processes of "PRAVEX BANK" JSC No. 93 dated 30.03.2023"
- Annual Business Continuity Plan and Residual Risks of "PRAVEX BANK" JSC for 2023 No. 30_23 dated 25.10.2023

To minimize information security risks, the Bank also implemented the following projects, namely:

- The Privilege Access Management (PAM) system from Delinea was updated (to replace a similar PAM development system that was discontinued).

- In accordance with the requirements of the SWIFT international system, an external independent assessment of the Bank's compliance with security measures was carried out. No significant comments were identified, and other comments were corrected in the course of the audit;
- Continuous interaction with law enforcement agencies is ensured to counteract illegal activities (the cyber police received an official cannon to help counteract criminal loyalty);
- To mitigate external risks of interference with information systems and services, the Group has ensured fruitful cooperation with the NBU SOC (Security operation centre), security services of Ukrainian banks, and GSOC (Group's Global security operation centre),
- Reports on the results of information security and the ICS are regularly communicated to the Bank's management.

Compliance risk

Compliance risk is the likelihood of losses/sanctions, additional losses or shortfall in planned income or loss of reputation as a result of the Bank's and its employees' failure to comply with the requirements of the current legislation of Ukraine, regulations of the National Bank of Ukraine, market standards, fair competition rules, corporate ethics rules, conflicts of interest, as well as internal documents of the Bank, including rules of ethical conduct, prevention and settlement of conflicts of interest.

Compliance risk relating to sanctions and financial losses is referred to as operational risk, and reputational risk is referred to as reputational risk.

The Bank also considers included in compliance risk the so-called behavioral risk, which, in the absence of a clear regulatory reference, is defined as the risk of judicial or administrative sanctions, material financial loss or reputational damage as a result of behavior:

- unfair treatment of clients;
- endangering the integrity and proper functioning of financial markets;
- violations of financial crime regulations (e.g., anti-money laundering, counter-terrorism, embargoes, anti-corruption, tax crimes, cybercrime).

Reputation risk (reputational component of compliance risk)

Reputational risk is the probability of losses or additional losses or shortfall in planned income as a result of unfavourable perception of the Bank's image by customers, counterparties, shareholders, supervisors and regulators. Also defined as reputational risk is an actual or potential risk of a decrease in profit or capital arising from a negative perception of the Bank's image by customers, counterparties, shareholders, investors and supervisory authorities.

The main objective of reputational risk management is to limit or minimize the risk to income and capital that occurs or may occur due to unfavourable perception of the Bank's image by customers, contractors, shareholders (stakeholders) or regulatory authorities.

The Bank uses the following instruments to mitigate reputational risk:

- Code of professional ethics and rules of conduct;
- external and internal monitoring systems;
- a crisis action plan;
- reputation risk assessment.

The PR and Marketing Office manages reputation in the mass media by ensuring that the Group's reputation in the media is maintained:

- analysis and monitoring of stakeholders, media, social media and customer feedback;
- building and maintaining positive and trusting relationships with the media;

- having a crisis communication plan that defines how the Bank will inform stakeholders, the media and the public about the crisis and its consequences;
- continuous support of a positive image of the Bank and its management in the media;
- active use of social media to quickly inform the media and customers about the Bank's news and establish a dialogue.

Price risk

The Bank's other price risk arises from investments in securities. Investments in securities are made within the established limits. Limits on transactions with securities are approved by the relevant committee of the Parent Company. Limits are set by issuers and individual issues of securities. The limits are set for a limited period of time and are subject to review thereafter.

The issue of the need to set limits is initiated by the Treasury and Markets Department of CFO Division. The Risk Management Department prepares conclusions on the possibility of setting such limits, after which the relevant materials are submitted to the relevant committee of the Parent Company. After obtaining approval, the internal document with the said limits is approved at the Bank's level.

Compliance with the limits is monitored on an ongoing basis by the Risk Management Department.

3.4. Performance results and prospects for further development

Financial and non-financial indicators that provide an understanding of the main trends and factors affecting the business, the bank's performance, their relationship to management's goals and strategies to achieve these goals

The key indicators to which the Bank paid special attention during the reporting year were: liquidity level, regulatory capital adequacy and capital ratios, loan portfolio quality and overdue debt, as well as financial result.

Analysis of significant changes in financial position, liquidity and performance

The Bank's financial result improved significantly in 2023.

The main changes in the Bank's financial position compared to 2022 were due to the improvement in the quality of the loan portfolio and, as a result, the release of provision for active operations in the amount of UAH 119 million (compared to UAH 297 million in 2022), which offset the increase in administrative expenses due to further growth in inflation and hryvnia devaluation.

The Bank's liquidity ratios improved significantly due to the attraction of a significant amount of customer funds, including with a focus on long-term placement of resources and repayment of overdue loans by customers.

Reasons for changes in the indicators during the reporting period

During the reporting year 2023, most indicators improved due to the implementation of a number of measures to improve the quality of the loan portfolio and attract customer funds, including a focus on long-term placement of resources, which ensured the maintenance of a stable resource base, high liquidity and stable risk-free interest income.

Intention to implement the bank's strategy in the long term

The Bank intends to continue to implement its strategy in the long term, within the framework of annual plans and budgets that take into account the specifics of the current periods, but are correlated with the defined long-term strategy.

3.5. Key performance indicators

Performance indicators used by management to assess the Bank's performance against the established objectives

Based on the results of its operations in 2023, the Bank incurred a loss of UAH 92,890 thousand, which is 78% less than in 2022 (UAH 415,206 thousand). This was mainly due to the release of provisions made in 2022 due to the effects of the war, which directly affected the deterioration in customer solvency. During 2023, due to the gradual economic recovery, companies' financial position improved and business activity revived, which enabled customers to fulfil their obligations to the Bank, thereby reducing the amount of overdue debt and even continuing to repay loans ahead of schedule. The release of loan loss provisions was able to fully offset the increase in administrative expenses due to rising inflation, hryvnia devaluation, scaling up and conducting business as usual, despite cost control and ongoing negotiations with suppliers to keep prices at the current level. At the same time, operating income continues to decline compared to 2022, driven by net interest income, which is due to further repayment of the existing loan portfolio by customers and the lack of active lending to maintain the business at the appropriate level. At the same time, fee and commission income increased slightly due to business development and renewed customer activity.

In 2023, the Bank's total assets increased by 7% compared to 2022 and amounted to UAH 11.0 billion. This growth was driven by an increase in the amount of funds attracted from both retail and corporate customers.

The following changes occurred in the Bank's balance sheet:

- increase in the volume of customer deposit portfolio due to the need to attract resources to ensure a stable resource base and sufficient liquidity;
- a significant increase in the volume of the securities portfolio with diversification of financial instruments as an alternative to placement of free liquidity in hryvnia and foreign currency and to ensure risk-free interest income;
- a significant reduction in the customer loan portfolio due to:
 - o a complete halt to lending in the retail segment and limited lending in the corporate segment within the existing open lines;
 - o repayment of the existing loan portfolio by customers;

As for the non-financial performance indicators of the Bank, it should be noted that during the reporting year 2023, the number of operating ATMs was stable and amounted to 83. During the year, the Bank's branch network decreased by 2 branches, which were closed, and at the end of the year amounted to 43 branches.

3.6. Information on the conclusion of derivative contracts or transactions with derivative securities by the issuer

In the reporting period, the Bank did not enter into any derivative contracts or transactions with derivative securities.

4. REPORT ON CORPORATE GOVERNANCE

4.1. Corporate Governance Code

During 2023, corporate governance in the Bank was organized in accordance with the Principles (Code) of Corporate Governance of "PRAVEX-BANK" JSC (hereinafter - the Principles), approved by the Decision of the Shareholder No. 5/2016 dated 13.12.2016 and posted on the Bank's official website at <https://www.pravex.com.ua/o-banke/pro-nas/ustanovchi-dokumenti>.

In 2023, the Bank did not apply any corporate governance codes of a stock exchange, association of legal entities or other corporate governance code in its activities and does not have corporate governance practices beyond the requirements set forth by law.

4.2. Explanation of the reasons for deviation and/or non-application of the provisions of the Corporate Governance Code

During the reporting period, there were no deviations from the norms established by the Principles (Code) of Corporate Governance.

4.3. Information on the general meeting of shareholders and a general description of the decisions taken at such meetings

The Bank's supreme governing body is the General Meeting of Shareholders. Given that 100% of the shares are owned by one shareholder, the powers of the General Meeting of Shareholders are exercised by such shareholder alone.

In 2023, there were 8 shareholder decisions, one annual and seven extraordinary.

Date of the action	23.01.2023
Way of convening	In the form of a decision (extraordinary)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
Item 1. Election of the new Member of the Supervisory Board of the Bank (Shareholder representative).	<p>A decision has been made:</p> <p>According to the Articles of Association of the Bank and Regulation on the Supervisory Board of the Bank, due to the early termination of the mandate of the Member of the Supervisory Board Mr. Andrea Fazzolari, upon his voluntary resignation and based on the written notification obtained from him, as required by the legislation, to elect Ms. Daniela Blandino as the Member of the Supervisory Board of the Bank (Shareholder representative) based on the National Bank of Ukraine approval of her candidacy. Ms. Daniela Blandino shall take office on the date of this Decision.</p> <p>In accordance with the legislation of Ukraine and Articles of Association of the Bank, the Member of the Supervisory Board (Shareholder representative) Ms. Daniela Blandino is elected for the same period as the</p>

	other Members of the Supervisory Board of the Bank, namely for the period until 2024 annual General Meeting of Shareholders.
Item 2. Approval of the terms and conditions of civil law agreement to be concluded with the Member of the Supervisory Board of the Bank (Shareholder representative), and election of the person authorized to sign agreement with the Member of the Supervisory Board of the Bank.	A decision has been made: To approve the terms and conditions of the civil law agreement to be concluded with the Member of the Supervisory Board of the Bank Ms. Daniela Blandino (Annex 1 to the Decision of the Shareholder). To authorize the Chairman of the Management Board of the Bank, or the person performing such duties, to sign an agreement (Annex 1 to the Decision of the Shareholder) with the Member of the Supervisory Board of the Bank Ms. Daniela Blandino.
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-1-2023-vid-23.pdf

Date of the action	26.01.2023
Way of convening	In the form of a decision (extraordinary)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
Item 1. Election of the new Member of the Supervisory Board of the Bank (Shareholder representative).	A decision has been made: According to the Articles of Association of the Bank and Regulation on the Supervisory Board of the Bank, due to the early termination of the mandate of the Member of the Supervisory Board Mr. Emanuele Collini, upon his voluntary resignation and based on the written notification obtained from him, as required by the legislation, to elect Mr. Francesco Del Genio as the Member of the Supervisory Board of the Bank (Shareholder representative) based on the National Bank of Ukraine approval of his candidacy. Mr. Francesco Del Genio shall take office on the date of this Decision. In accordance with the legislation of Ukraine and Articles of Association of the Bank, the Member of the Supervisory Board (Shareholder representative) Mr. Francesco Del Genio is elected for the same period as the other Members of the Supervisory Board of the Bank, namely for the period until 2024 annual General Meeting of Shareholders.
Item 2. Approval of the terms and conditions of civil law agreement to be concluded with the Member of the Supervisory Board of the Bank (Shareholder representative), and election of the person authorized to sign agreement with the Member of	A decision has been made: To approve the terms and conditions of the civil law agreement to be concluded with the Member of the Supervisory Board of the Bank Mr. Francesco Del Genio (Annex 1 to the Decision of the Shareholder). To authorize the Chairman of the Management Board of the Bank, or the person performing such duties, to sign an agreement (Annex 1 to the Decision of the Shareholder) with the

the Supervisory Board of the Bank.	Member of the Supervisory Board of the Bank Mr. Francesco Del Genio.
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-2-2023-vid-26.pdf
Date of the action	27.04.2023
Way of convening	In the form of a decision (annual)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
Item 1. Approval of the "PRAVEX BANK" JSC Financial statements as at 31 December 2022 and for the year then ended	A decision has been made: 1. To approve the annual financial statements of "PRAVEX BANK" JSC as at 31 December 2022 and for the year then ended (Attachment 1 to the Decision of the Shareholder), that consists of the following: 1.1. Statement of financial position as at December 31, 2022 1.2. Statement of profit or loss for the year 2022 1.3. Statement of comprehensive income for the year 2022 1.4. Statement of cash flows for the year 2022 1.5. Statement of Changes in Equity for the year 2022 1.6. Notes to financial statements as at 31 December, 2022 and for the year then ended
Item 2. Consideration of the independent auditor's report on the audit of financial statements for 2022 (annual report), approval of follow-up actions	A decision has been made: 2. To approve the independent Auditor's report issued by "Ernst and Young Audit Services" LLC on the audit of the financial statements of the Bank for 2022 (Attachment 2 to the Decision of the Shareholder), having acknowledged that no additional measures are needed.
Item 3. Approval of distribution of profit or coverage of loss	A decision has been made: 3. To approve distribution of profit or coverage of loss of «PRAVEX BANK» JSC as follows: 3.1. To approve financial result of the Bank for 2022 approved by the Supervisory Board – loss in the amount of UAH 415 205 596,03. 3.2. To direct the loss for 2022 to Uncovered losses of previous years.
Item 4. Transfer of dividends on preference shares for 2022 to the Reserve Fund	A decision has been made: 4. To apply dividends on preference shares for 2022 accrued at the expense of the Reserve Fund in the amount of UAH 156,600.00 towards the increase of the Reserve Fund of «PRAVEX BANK» JSC
Item 5. Approval of the Management Report as of December 31, 2022 and for the year then ended	A decision has been made: 5. To approve the Management Report of "PRAVEX BANK" JSC as at 31 December 2022 and for the year then ended on this date (Attachment 3 to the Decision of the Shareholder).

Item 6. Consideration of the Report of the Supervisory Board for 2022, approval of follow-up actions	A decision has been made: 6. To approve the Supervisory Board Report for 2022 (Attachment 4 to the Decision of the Shareholder), to recognize its work as proper and sufficient, having acknowledged that no additional measures are needed.
Item 7. Approval of the Report on remuneration of the Supervisory Board members for 2022	A decision has been made: 7. To approve the Report on remuneration of the Members of the Supervisory Board for 2022 (Attachment 5 to the Decision of the Shareholder).
Item 8. Approval of the Report on remuneration of the Management Board members for 2022	A decision has been made: 8. To approve the Report on remuneration of the Members of the Management Board for 2022 (Attachment 6 to the Decision of the Shareholder).
Item 9. Approval of the Remuneration and Incentives Policies	A decision has been made: 9. To approve the Remuneration and Incentives Policies of «PRAVEX BANK» JSC (Attachment 7 to the Decision of the Shareholder).
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-3-2023-vid-27.pdf

Date of the action	30.05.2023
Way of convening	In the form of a decision (extraordinary)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
Item 1. Early termination of mandate of the Member of the Supervisory Board of the Bank (Shareholder representative).	A decision has been made: 1. According to the Articles of Association of the Bank and the Regulation on the Supervisory Board of the Bank to early terminate the mandate of Mr. Lorenzo Fossi as the Member of the Supervisory Board of the Bank as of the date following the day of this decision.
Item 2. Election of the new Member of the Supervisory Board (Shareholder representative).	A decision has been made: 2. According to the Articles of Association of the Bank and Regulation on the Supervisory Board of the Bank to elect Mr. Antonio Giovanni Maria Bergalio as the Member of the Supervisory Board of the Bank (Shareholder representative). Mr. Antonio Giovanni Maria Bergalio shall take the office on the date following the day of this decision based on the received approval of his candidacy by the National Bank of Ukraine
Item 3. Approval of the terms and conditions of civil law agreement to be concluded with the Member of the Supervisory	A decision has been made: 2. To approve the terms and conditions of the civil law agreement to be concluded with the Member of the Supervisory Board of the Bank Mr. Antonio Giovanni

Board of the Bank (Shareholder representative) and election of the person authorized to sign agreement with the Member of the Supervisory Board of the Bank.	Maria Bergalio (Annex 1 to the Decision of the Shareholder). 3. To authorize the Chairman of the Management Board of the Bank, or the person performing such duties, to sign an agreement (Annex 1 to the Decision of the Shareholder) with the Member of the Supervisory Board of the Bank Mr. Antonio Giovanni Maria Bergalio.
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-4-vid-30.pdf

Date of the action	06.11.2023
Way of convening	In the form of a decision (extraordinary)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
1. Termination of powers of the Chairman of the Supervisory Board of the Bank (Shareholder representative).	A decision has been made: 1. According to the Articles of Association and the Regulation on the Supervisory Board of the Bank to early terminate the powers of Mr. Ezio Salvai as the Chairman (and the Member) of the Supervisory Board as of the date following the day of the decision on the termination of his powers as the Chairman (and the Member) of the Supervisory Board.
2. Election of the new Member of the Supervisory Board of the Bank (Shareholder representative).	A decision has been made: 2. According to the Articles of Association and the Regulation on the Supervisory Board of the Bank, to elect Mr. Silvio Pedrazzi as the Member of the Supervisory Board of the Bank (Shareholder representative). Mr. Silvio Pedrazzi shall take the office on the date following the day of the decision on his election subject to the receipt of the National Bank of Ukraine’s approval of his candidacy. In accordance with the legislation of Ukraine and the Articles of Association of the Bank, Mr. Silvio Pedrazzi is elected Member of the Supervisory Board for the same period as the other Members of the Supervisory Board, namely for the period until 2024 Annual General Meeting of Shareholders.
3. Approval of the terms and conditions of the civil law agreement to be concluded with the Member of the Supervisory Board of the Bank (Shareholder representative), and election of the person authorized to sign the “Agreement with the Member of	A decision has been made: To approve the terms and conditions of the civil law agreement to be concluded with Mr. Silvio Pedrazzi as Member of the Supervisory Board (Annex 1). To authorize the Chairman of the Management Board of the Bank, or the person performing such duties, to sign – on behalf of the Bank – an agreement (Annex 1) with Mr. Silvio Pedrazzi.

the Supervisory Board of "PRAVEX BANK" Joint-Stock Company".	
4. Approval of the terms and conditions of the civil law agreement to be concluded with the new Chairman of the Supervisory Board of the Bank (Shareholder representative), and election of the person authorized to sign the agreement with the Chairman of the Supervisory Board of the Bank.	<p>A decision has been made:</p> <p>4. For the election of Mr. Silvio Pedrazzi as the Chairman of the Supervisory Board:</p> <p>4.1. to fix annual remuneration to him, payable on December 15th of each year – EUR 25.000,00, gross (including all taxes and duties according to the Ukrainian legislation).</p> <p>4.2. to approve the terms and conditions of the civil law agreement to be concluded with Mr. Silvio Pedrazzi as Chairman of the Supervisory Board (Annex 2). To authorize the Chairman of the Management Board of the Bank, or the person performing such duties, to sign – on behalf of the Bank – an agreement (Annex 2) with Mr. Silvio Pedrazzi.</p>
5. Approval of the Remuneration and Incentives Policies 2023 of "PRAVEX BANK" JSC.	<p>A decision has been made:</p> <p>To approve the Remuneration and Incentives Policies 2023 of «PRAVEX BANK» JSC (Annex 3), according to what stated in the applicable PRAVEX BANK JSC Guidelines on Remuneration and Risk Takers identification already approved by the Supervisory Board (Minutes No. 9_23 dated 27.06.2023, agenda item 7).</p>
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-5-2023-vid-06.pdf

Date of the action	16.11.2023
Way of convening	In the form of a decision (extraordinary)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
1. On setting the amount of remuneration to be paid to Mr. Salvai for fulfilment of the powers as Chairman of the Supervisory Board.	<p>A decision has been made:</p> <p>According to the Decision #1/2021 of the Shareholder of the Bank dated April 22, 2021, the annual remuneration of the Chairman of the Supervisory Board, Mr. Ezio Salvai, amounts to EUR 25,000 and, in case of early termination of powers, the amount proportional to the terms of the mandate should be paid to him (Decision #1/2021 dated 22.04.2021, agenda item 13). Considering the long-term effective and fruitful cooperation with the Bank of Mr. Salvai as the Chairman (and Member) of the Supervisory Board, in view of the early termination of his mandate on November 7, 2023 (Decision No. 5/2023 dated</p>

	06.11.2023, item 1 of the agenda), it is decided to pay Mr. Salvai the full amount of the annual remuneration, namely EUR 25,000 before taxes.
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-6-2023-vid-16.pdf

Date of the action	17.11.2023
Way of convening	In the form of a decision (extraordinary)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
1. On approval of the amendments to the Articles of Association of the Bank by restating it in a new version.	A decision has been made: 1. To amend the Articles of Association of the Bank with the purpose of complying with effective legislation of Ukraine. To restate and approve the new wording of the Articles of Association of the Bank and to authorize the Chairman of the Management Board, Deputy Chairman of the Management Board or the person that will be acting Chairman of the Management Board to sign the Articles of Association and to ensure that all necessary actions, relating to the National Bank of Ukraine approval and the state registration of the Articles of Association, are taken, with the authority to delegate the said powers to others.
2. On approval of the amendments to the Regulation on the Supervisory Board of the Bank by restating it in a new version.	A decision has been made: 2. To amend the Regulation on Supervisory Board of the Bank with the purpose of complying with effective legislation. To restate and approve the new version of the Regulation on Supervisory Board of the Bank.
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-8-2023-vid-15.pdf

Date of the action	15.12.2023
Way of convening	In the form of a decision (extraordinary)
Subject of the convocation	Sole shareholder
Agenda items and decisions taken:	
1. On cancellation of the Decision of the shareholder No. 7/2023 dated November 17, 2023.	A decision has been made: 1. To cancel the Decision of the shareholder No. 7/2023 dated November 17, 2023.
2. On approval of the amendments to the Articles of Association of the Bank by restating it in a new version.	A decision has been made: 2. To amend the Articles of Association of the Bank with the purpose of complying with effective legislation of Ukraine. To restate and approve the new wording of the

	Articles of Association of the Bank and to authorize the Chairman of the Management Board, Deputy Chairman of the Management Board or the person that will be acting Chairman of the Management Board to sign the Articles of Association and to ensure that all necessary actions, relating to the National Bank of Ukraine approval and the state registration of the Articles of Association, are taken, with the authority to delegate the said powers to others.
3. On approval of the amendments to the Regulation on the Supervisory Board of the Bank by restating it in a new version.	A decision has been made: 3. To amend the Regulation on Supervisory Board of the Bank with the purpose of complying with effective legislation. To restate and approve the new version of the Regulation on Supervisory Board of the Bank.
URL of the minutes of the general meeting:	https://www.pravex.com.ua/storage/files/rishennya-akcionera-7-2023-vid-17_1700757723.pdf

4.4. Personal composition of the issuer's supervisory board and collegial executive body, their committees, information on meetings held and a general description of decisions taken, as well as reports of the board and collegial executive body

Supervisory Board

The Supervisory Board is a collegial body of the Bank that controls the activities of the Management Board, protects the rights of depositors, other creditors and shareholders. The Supervisory Board is not involved in the day-to-day management of the Bank.

In 2023, the Supervisory Board consisted of the Chairman of the Supervisory Board, Deputy Chairman of the Supervisory Board and other members of the Supervisory Board.

As of 31.12.2023, the personal composition of the Supervisory Board and participation of the Supervisory Board members in the committees:

Name, surname, patronymic of the Supervisory Board Member, term of office in the reporting period	Chairman of the SB (X) / Deputy Chairman of the SB (Y)	Chairman (X)/ Member of the SB Committee (V)	
		Audit Committee (AC)	Risk Management Committee (RMC)
Mr. Silvio Pedrazzi (from 07.11.2023)	X		
Mr. Corrado Pietro Maria Casalino (independent)	Y	X	V
Mr. Fabrizio Mullen (independent)			X
Ms. Laura Febbraro (independent)		V	
Mr. Francesco Del Genio (from 03.02.2023)			V
Ms. Daniela Blandino (from 23.01.2023)			
Mr. Antonio Giovanni Maria Bergaglio (from 31.05.2023)		V	

The following changes took place in the Supervisory Board in 2023:

- On 23.01.2023, the sole shareholder of the Bank decided to elect Ms. Daniela Blandino as a member of the Supervisory Board (shareholder representative) (Decision No. 1/2023 of 23.01.2023). Ms. Daniela Blandino took office on January 23, 2023.
- On 26.01.2023, the sole shareholder of the Bank decided to elect Mr. Francesco Del Genio as a member of the Supervisory Board (shareholder representative) (Decision No. 2/2023 of 26.01.2023). Mr. Francesco Del Genio took office on February 03, 2023.
- On 30.05.2023, the sole shareholder of the Bank decided to elect Mr. Antonio Giovanni Maria Bergalio as a Member of the Supervisory Board (shareholder representative) to replace Mr. Lorenzo Fossi, whose powers as a Member of the Supervisory Board were terminated on the day following the day of the decision on early termination of powers (Decision No. 4/2023 of 30.05.2023), namely, on 31.05.2023. Mr. Antonio Giovanni Maria Bergalio took office on May 31, 2023.
- On 06.11.2023, the sole shareholder of the Bank decided to elect Mr. Silvio Pedrazzi as a Member of the Supervisory Board (shareholder representative) to replace Mr. Ezio Salvai, whose powers as Chairman of the Supervisory Board were terminated (from the day following the day of the decision on early termination of powers, Decision No. 5/2023 of 06.11.2023) from 07.11.2023. Mr. Silvio Pedrazzi took up the position of a Member of the Supervisory Board on 07.11.2023. At the extraordinary meeting of the Supervisory Board held on 15.11.2023, Mr. Silvio Pedrazzi was elected Chairman of the Supervisory Board from 15.11.2023 (Minutes No. 17_23, agenda item 1).

Changes in the composition of the SB Committees in 2023:

- On 02.03.2023, Mr. Francesco Del Genio was appointed as a member of the Risk Management Committee (hereinafter referred to as the RMC) to replace Mr. Lorenzo Fossi.
- On 27.06.2023, Mr. Antonio Giovanni Maria Bergalio was appointed as a member of the Audit Committee to replace Mr. Lorenzo Fossi.

Information on the meetings held and a general description of the decisions taken

Number of meetings in the reporting period	20
through direct participation	12
by written voting	8
Description of key solutions	In 2023, the Supervisory Board approved the Bank's budget for 2023; the Annual Audit Plan for 2023, as well as the budget of the Internal Audit Department for 2023; the draft audited annual financial statements of the Bank as of 31.12.2022; approved recommendations for the General Meeting of Shareholders on the Independent Auditors' Report as of 31.12.2022; the results of the Bank's Anti-Money Laundering / Sanctions / Anti-Bribery and Corruption Risk Profile Assessment for 2022; IT Strategy Guidance Document for 2022-2025; Reports on the Annual Performance Evaluation and Collective Suitability of the Management Board for 2022 and on the Annual Performance Evaluation of the Control Units for 2022, Report of the Bank's Management Board for 2022; list of Risk Takers; Report on Remuneration of the Management Board Members for 2022, the reports of the AC and the CMC; the Remuneration and Incentive Policy and relevant internal documents; closed the Bank's branches

	<p>(in particular, in the temporarily occupied territories and in the territories where military operations are underway); gave consent to the execution of significant transactions; appointed a new Chairman of the Management Board; new composition of the IA and the CRO; reviewed and took into account quarterly, semi-annual, annual reports of the Compliance, AML, Risk Management units; Status of implementation of the Problem Asset Management Strategy and the Operational Plan for 2022-2025., Product Management Report for 2022; SREP assessment results and NBU recommendations on AML; quarterly reports of the Corporate Secretary, quarterly Reports on major litigation; updated information on the implementation of the Capitalization Plan; regular reviews from the Chairman of the Management Board, updated information on the impairment of the Bank's assets due to military operations in Ukraine, etc.</p> <p>In addition, the Supervisory Board monitored monthly financial results; monthly reports on the NBU's economic standards; implementation of the Bank's budget as part of the quarterly financial reports of the Head of the Bank's CFO Division; implementation of the NBU Capitalization Program and approval of its updates; the NBU's economic standards and forecast of their values; and assessed the impact of the military invasion of Ukraine on the Bank's asset quality and regulatory capital.</p> <p>The Supervisory Board also approved cooperation with the UN Global Compact and joining the Association of Ukrainian Banks.</p> <p>In 2023, the SB approved the following documents:</p> <p>In the area of Risk Management to ensure an effective risk management process:</p> <ul style="list-style-type: none"> - Guidelines on Risk Appetite Framework of PRAVEX BANK JSC (2023); - Risk Appetite Statement PRAVEX BANK JSC (2023) - Market Risk Management Policy of PRAVEX BANK JSC (2023); - Interest Rate Risk Management Policy of the Banking Book of PRAVEX BANK JSC (2023); - Liquidity Risk Management Policy of PRAVEX BANK JSC; - Guidelines for the Prudential Measurement of Financial Instruments at Fair Value of PRAVEX BANK JSC. <p>In the area of Compliance, to ensure an effective compliance culture:</p> <ul style="list-style-type: none"> - Compliance Guidelines of PRAVEX BANK JSC; - Process Guide For The Management Of Macro Compliance Processes (Compliance Rulebook) of JSC "PRAVEX BANK". <p>In terms of the AML structure to ensure effective financial monitoring in the Bank:</p> <ul style="list-style-type: none"> - Policy of "PRAVEX BANK" JSC on the issues of counteraction to legalisation (laundering) of proceeds of crime, terrorist financing and financing proliferation of weapons of mass destruction
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	<ul style="list-style-type: none"> - Anti-Corruption Policy of “PRAVEX BANK” JSC <p>In terms of corporate governance:</p> <ul style="list-style-type: none"> - Regulations on the Management Board; - Regulation on Supervisory Board (acknowledgement); - Articles of Association (acknowledgement).
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Information on the report of the Supervisory Board:

The report of the Supervisory Board for 2023 was approved by the decision of the Supervisory Board of the Bank dated 26.01.2024, Minutes No. 2_24, agenda item 17, and submitted to the General Meeting of Shareholders for further approval. In its report, the Supervisory Board assessed its composition and activities, as well as the committees of the Supervisory Board, the competence and effectiveness of the Chairman and members of the Supervisory Board, as a result of which the activities of the Supervisory Board and each member of the Supervisory Board in 2023 were assessed as effective and it was confirmed that the collective suitability of the Supervisory Board meets the established requirements, in particular:

on the assessment of the composition, structure and activities of the Bank's Supervisory Board was established:

- The composition of the SB fully complies with the current legislation of Ukraine and internal regulations in terms of: (1) the number of SB members, (2) the presence of independent members (at least one third - 3 members), (3) the absence of the fact that the SB Chairman heads the Bank's structural units and holds positions in the Bank, (4) compliance with the requirement that the SB Chairman and members be capable individuals, who meet the qualification requirements for professional aptitude and business reputation established by law, (5) collective suitability of the SB, which corresponds to the size, specifics of the Bank's activities, nature and scope of banking and other financial services, risk profile, systemic importance, activities of the banking group to which the Bank belongs.
- the SB's efficiency was maintained at the appropriate level in terms of (1) convening meetings in the majority in accordance with the approved Work Plan for 2023, the average ratio of regular and extraordinary meetings is 55%/45%, (2) high level of attendance of SB members at meetings of the SB and its Committees, the average indicator is 92%, (3) compliance with the Bank's Strategy and Business Plan
- Ensuring review and approval of reports, documents, and other decisions within its competence **to assess the competence and effectiveness of the Chairman and members of the Supervisory Board of the Bank** were determined:
 - *education and professional training* (higher education, experience in the banking/financial sector - at least one third of the members must have more than 3 years of relevant experience). The Supervisory Board fully meets the Bank's requirements in terms of available skills and experience given the size of the Bank, taking into account the significant relevant experience of the Chairman and members of the Supervisory Board, which is sufficient for a full and in-depth analysis of all issues submitted to the Supervisory Board and the Supervisory Board Committees. The financial education and significant work experience gained by all members of the Supervisory Board fully cover the Bank's products and risk profile.
 - *independence of opinion and conflict of interest*
The Chairman and members of the Supervisory Board have an independent opinion, which allows them to draw conclusions without being influenced by factors that compromise professional judgment, allowing them to act honestly, show objectivity and professional skepticism. During 2023, no facts of conflicts of interest among the members of the Supervisory Board were declared or revealed

- *independence criteria for independent members of the Supervisory Board*
The independent members of the Supervisory Board, namely Mr. Corrado Pietro Maria Casalino, Mr. Fabrizio Mullen, and Ms. Laura Febbraro, fully comply with the requirements for the independence of the Supervisory Board members established by the Laws of Ukraine "On Joint Stock Companies", "On Banks and Banking Activities", other acts of the National Bank of Ukraine, and the Bank's internal documents.
- *impeccable business reputation*
In 2023, no signs were identified that could indicate a violation of the requirements for impeccable business reputation of the Chairman and/or members of the Supervisory Board.
- *Time devoted to the performance of duties*
The Chairman and members of the Supervisory Board make a significant contribution to the effective work of the Supervisory Board and the Supervisory Board Committees and devote sufficient time to fulfill their duties.

regarding the assessment of the Supervisory Board's fulfillment of its objectives, the impact of decisions taken by the Supervisory Board during the reporting period on the achievement of its strategic goals, it was found that

- In 2023, the Supervisory Board, within its competence as defined by the legislation and the Bank's constituent documents, carried out its activities to ensure that the Bank achieved its strategic goals in accordance with the strategy determined by the General Meeting of Shareholders, made relevant decisions and approved/updated internal risk management documents to ensure the proper functioning of the risk management system in the Bank, improve the level of corporate governance, timely implementation of new legislative requirements.
- An important component of the Supervisory Board's activities in 2023 to implement the Bank's strategy and achieve the Bank's goals was to maintain the Bank's financial stability, identify possible threats to such stability, and promptly respond to threats to financial stability and/or avoid them. To this end, the Supervisory Board reviewed risk management reports and financial statements and promptly responded and provided recommendations to minimize risks.

The activities of the Supervisory Board, despite the difficult military situation in Ukraine, led to the following results of the Bank's financial and economic activities:

- uninterrupted operation of the Bank
- Compliance with economic ratios and minimum capital adequacy ratios (18.47% compared to the minimum of 10%)
- good loan portfolio with NPL ratio of 16.2% compared to 28.2% planned in the budget
- retention of existing customers (total number of 41.1 thousand)
- increase in the deposit portfolio
- protection and safety of employees, as well as their financial support.

Detailed information on the Supervisory Board Report for 2023 is available on the Bank's website at the link: <https://www.pravex.com.ua/o-banke/pro-nas/rozkrittya-informaciyi>

Management Board

The Management Board is the **collective executive body of the Bank**, which manages the Bank's day-to-day operations and is responsible for the efficiency of its work in accordance with the principles and procedure established by the Bank's Article of Association, the Regulation on the Management Board, decisions of the General Meeting of Shareholders (the Bank's Shareholder) and the Supervisory Board of the Bank.

In 2023, the Management Board consisted of the Chairman of the Management Board, Deputy Chairman of the Management Board and other members of the Management Board, including the Bank's employee responsible for financial monitoring.

As of 31.12.2023, the **personal composition of the Management Board and participation of the Management Board members in the committees:**

Name of the member of the executive body, term of office in the reporting period	Chairman / Deputy Chairman of the Executive Body	Chairman / member of the committee of the executive body									
		Credit Committee	Credit Risk Management Committee	Non-Performing Assets Committee	Assets and Liabilities Management Committee	Operational Risk Committee	Change Management Committee	Information Security Management Committee	Crisis Governance Committee	Tender Committee	Environmental, Social and Governance Committee
Gianluca Corrias, from 01.08.2023	X	X	X	V	X	V	X	X	V	V	
Semen Babaiev	Y	V	V		V		V	V	V		V
Svitlana Kramarova					V	V	V	V	V	X	X
Olena Pokhodziaeva			V		V	V		V	V		V
Ruslan Leshchenko		V	V	V	V		V	V	V		V

In 2023, the **following changes took** place in the Management Board of the Bank:

- termination of the powers of Mr. Stefano Burani as the Chairman of the Management Board of the Bank on 31.07.2023 (decision of the Supervisory Board dated 27.07.2023, Minutes No. 11_23, agenda item 20);
- appointment of Mr. Gianluca Corrias as the Chairman of the Management Board of the Bank from 01.08.2023 (decision of the Supervisory Board dated 27.07.2023, Minutes No. 11_23, agenda item 20);
- dismissal of Mr. Dario Giuseppe Caprioli from the position of Head of COO Division, Member of the Management Board of the Bank, 29.12.2023 (last working day) (decision of the Supervisory Board dated 22.12.2023, Minutes No. 20_23, agenda item 16).

Information about the meetings of the Management Board and a general description of the decisions taken.

Meetings of the Management Board are convened whenever necessary, but in any case at least twice a calendar month in accordance with the procedure provided for in the Regulation on the Management Board of the Bank and in accordance with the approved calendar of meetings of the Bank's collegial bodies. If necessary, the resolutions of the Management Board were adopted by writing voting (polling) via e-mail in accordance with the procedure provided for in the Regulation on the Management Board of the Bank.

Number of meetings of the collegial executive body in the reporting period	36
Some of them are full-time:	26
Some of them are part-time:	10
Description of key decisions of the collegial executive body:	Acknowledgement of the Bank's financial results, financial statements, update on the implementation of the NBU capitalization program, reports of structural units, including on AML, Compliance, RAF limits and Recovery Indicators, status of implementation of Internal Audit recommendations, approval of financing to legal entities/individuals, setting limits on interbank transactions, agreement of the budget for the year, transfer of functions to outsourcing and approval of risk reassessment of outsourced functions, approval of expenses, internal documents, acknowledgment of the Group's documents, impairment of assets, approval of relocation/suspension of the Bank's branches, approval of the Product Plan, approval of engagement of law firms re litigations, approval of inventory results, approval of collateral revaluation results, etc.

As of 31.12.2023, the Bank has the following **committees of the Management Board**, taking into account the requirements for committees mandatory by law, and the composition of which is as follows:

Committee	Position.	NAME
Credit Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias;
	2. Head of CLO Division	2. Mr. Ruslan Leshchenko;
	3. Head of Retail Credit Department of CLO Division (within his/her competence)	3. Ms. Nataliia Yemelianova;
	4. Head of Corporate Credit Department of CLO Division (within his/her competence)	4. Ms. Oksana Yakymovska;

Committee	Position.	NAME
	5. Head of Retail Division (within his/her competence)	5. Mr. Semen Babayev;
	6. Head of Corporate Division (within his/her competence)	6. Mr. Andrii Strygin (acting)
Credit Risk Management Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias;
	2. Head of CLO Division;	2. Mr. Ruslan Leshchenko;
	3. Head of Retail Division;	3. Mr. Semen Babayev;
	4. Head of Corporate Division	4. Mr. Andrii Strygin (acting);
	5. CRO-Head of Risk Management Department (with a special veto power);	5. Mr. Serhii Nastin
	6. CCO-Head of Compliance and AML Department (with a special veto and voting right only on issues related to product management).	6. Ms. Olena Pokhodziaieva
Non-Performing Assets Committee	1. CRO-Head of Risk Management Department (special veto power) (Chairman of the Committee)	1. Mr. Serhii Nastin
	2. Chairman of the Management Board	2. Mr. Gianluca Corrias
	3. Head of CLO Division	3. Mr. Ruslan Leshchenko
	4. Head of Credit Management Department of CLO Division	4. Mr. Yuriy Lytvynenko
Assets and Liabilities Management Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias
	2. Head of CLO Division	2. Mr. Ruslan Leshchenko
	3. Head of Retail Division	3. Mr. Semen Babayev
	4. Head of CFO Division	4. Ms. Svitlana Kramarova
	5. Head of Treasury and Markets Department of CFO Division	5. Mr. Artem Krasovskyi
	6. Head of Corporate Division	6. Mr. Andrii Strygin (acting)
	7. CCO- Head of Compliance and AML Department (granted special veto and voting rights, with voting rights limited to issues related to product management).	7. Ms. Olena Pokhodziaieva
Operational Risk Committee	1. CRO - Head of Risk Management Department (special veto power) (Chairman of the Committee)	1. Mr. Serhii Nastin
	2. Chairman of the Management Board	2. Mr. Gianluca Corrias

Committee	Position.	NAME
	3. CCO-Head of Compliance and AML Department (special veto power)	3. Ms. Olena Pokhodziaieva
	4. Head of CFO Division	4. Ms. Svitlana Kramarova;
Change Management Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias
	2. Head of Retail Division	2. Mr. Semen Babayev
	3. Head of CFO Division	3. Ms. Svitlana Kramarova
	4. Head of CLO Division	4. Mr. Ruslan Leshchenko
	5. Head of Corporate Division	5. Mr. Andrii Strygin (acting)
	6. Head of Organization and Project Management Office of HR and Organization Department	6. Ms. Hanna Nesterenko (ad interim)
Information Security Management Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias
	2. Head of CLO Division	2. Mr. Ruslan Leshchenko
	3. CCO-Head of Compliance and AML Department (special veto power)	3. Ms. Olena Pokhodziaieva
	4. Head of CFO Division	4. Ms. Svitlana Kramarova
	5. CRO - Head of Risk Management Department (special veto power)	5. Mr. Serhii Nastin
	6. Head of Retail Division	6. Mr. Semen Babayev
	7. Head of Corporate Division	7. Mr. Andrii Strygin (acting);
	8. Head of Cybersecurity and Business Continuity Management Department	8. Mr. Oleksii Sirakov.
Crisis Governance Committee	1. Chairman of the Bank's Supervisory Board (Chief Crisis Manager) (Chairman of the Committee)	1. Mr. Silvio Pedrazzi
	2. Chairman of the Management Board	2. Mr. Gianluca Corrias
	3. Head of CLO Division	3. Mr. Ruslan Leshchenko;
	4. Head of CFO Division	4. Ms. Svitlana Kramarova
	5. Head of Corporate Division	5. Mr. Andrii Strygin (acting)
	6. Head of Retail Division	6. Mr. Semen Babayev
	7. CCO-Head of Compliance and AML Department (special veto power)	7. Ms. Olena Pokhodziaieva
	8. CRO - Head of Risk Management Department (special veto power) -	8. Mr. Serhii Nastin
	9. Head of Cybersecurity and Business Continuity Management Department	9. Mr. Oleksii Sirakov

Committee	Position.	NAME
Environmental, Social and Governance Committee	1. Head of CFO (ESG Manager) (Chairman of the Committee)	1. Ms. Svitlana Kramarova
	2. Head of CLO Division	2. Mr. Ruslan Leshchenko
	3. Head of Retail Division	3. Mr. Semen Babayev
	4. Head of Corporate Division	4. Mr. Andrii Strygin (acting)
	5. CRO - Head of Risk Management Department (special veto power)	5. Mr. Serhii Nastin
	6. CCO-Head of Compliance and AML Department (special veto power)	6. Ms. Olena Pokhodziaieva
	7. Head of HR and Organization Department	7. Ms. Hanna Nesterenko;
Tender committee	1. Head of CFO Division (Chairman of the Committee)	1. Ms. Svitlana Kramarova
	2. Chairman of the Management Board	2. Mr. Gianluca Corrias
	3. Head of the Planning and Control Department of CFO Division	3. Ms. Iryna Barkar;
	4. Chief Accountant-Head of the Accounting Department of CFO Division	4. Ms. Hanna Baranovska;

The composition, competence, procedure for convening meetings and organization of activities of the Bank's Management Board Committees are determined by the Regulation on the Management Committees approved by the Management Board decision dated 25.07.2023, Minutes No. 22_23, agenda item 18 and the Regulation on the Tender Committee approved by the Management Board decision dated 25.07.2023, Minutes No. 22_23, agenda item 19.

Meetings of the Management Board Committees were held in accordance with the requirements for their frequency and in the manner prescribed by the Regulation on the Management Committees and in accordance with the approved calendar of meetings of the Bank's collegial bodies.

Name of the committee	Number of meetings of the committee of the collegial executive body in the reporting period	Direct participation	Writing voting (polling)	Description of key decisions of the committee of the collegial executive body:
Credit Committee	51	44	7	Approval of financing, amendments/review of lending conditions for corporate and retail clients, inter alia, Company Enzym PrJSC, Bayadera Logistic LLC, ML

Name of the committee	Number of meetings of the committee of the collegial executive body in the reporting period	Direct participation	Writing voting (polling)	Description of key decisions of the committee of the collegial executive body:
				Dila LLC, Epicentr K LLC, Biosphere Group / Service Pro LLC extension/renewal of limits on interbank transactions with financial institutions, accreditation of insurance companies, acceptance of legal risks under the credit cases, approval of extension of tranches, approval of waivers for non-fulfillment of covenants, etc.
Credit Risk Management Committee	12	12	-	Acknowledgement of the credit risk report, approval of concepts for retail and corporate lending products, approval of the retail lending products catalog, internal documents, acknowledgement of the Group's documents, approval of the terms of cooperation with collection companies, etc.
Non-Performing Assets Committee	40	38	2	Approval of IFRS loan portfolio classification, IFRS provisioning, calculation of credit risk; acknowledgement of the credit management report, status of implementation of the Problem Asset Management Strategy and the Operational Plan, report on the early warning system, results of portfolio analysis for default events/approval of the judgment on absence of default, approval of borrower action plans, approval of NPL restructuring, write-off of impaired assets, approval of voluntary settlement of loans, etc.
Assets and Liabilities	19	13	6	Acknowledgement of the liquidity forecast, cost of funding report,

Name of the committee	Number of meetings of the committee of the collegial executive body in the reporting period	Direct participation	Writing voting (polling)	Description of key decisions of the committee of the collegial executive body:
Management Committee				approval of the securities portfolio plan, approval of reference rates, acknowledgement of the financial risk report, delegation of authorities to set variable tariffs (rates/commissions), acknowledgement of reports on the utilization of the granted authorities, setting variable tariffs for the Bank's customers, review of standard rates/tariffs, approval of new product concepts/change of product terms, etc.
Operational Risk Committee	5	4	1	Acknowledgement of operational risk report, acknowledgement of the internal/Group's documents, etc.
Change Management Committee	12	12	-	Acknowledgement of the project portfolio overview, approval of the new projects launch, acknowledgement of status reports on existing projects, acknowledgement of capital budget overview, acknowledgement of the IT enhancement requests overview, etc.
Information Security Management Committee	8	6	2	Acknowledgement of Cybersecurity and BCM reports, ICT reports, approval of critical business processes, approval of internal document, acknowledgement of group documents;
Crisis Management committee	-	-	-	Not convened, as the committee is convened on an ad hoc basis in times of crisis
Tender Committee	17	13	4	Approval of suppliers for purchase of services, approval of cap under agreements;
Environmental, Social and	1	1	-	Acknowledgement of the report of ESG Working Group on the status of

Name of the committee	Number of meetings of the committee of the collegial executive body in the reporting period	Direct participation	Writing voting (polling)	Description of key decisions of the committee of the collegial executive body:
Governance Committee				projects and initiatives, acknowledgement of information on the meetings of the ISBD Environmental, Social and Governance Committee, acknowledgement of the information on new law requirements for disclosure of the issuer's information on sustainable development in terms of environmental, social and governance issues.

Information on the report of the Management Board

The Management Board Report for 2023 was approved by the decision of the Supervisory Board of the Bank dated 26.01.2024, Minutes No. 2_24, agenda item 18, which analyzed the activities and composition of the Management Board and its committees, the competence and effectiveness of the Chairman and members of the Management Board, the implementation of the action plan for improving the work of the Management Board for 2023, as a result of which the activities of the Management Board and each member of the Management Board in 2023 were assessed as effective and it was confirmed that the collective suitability of the Management Board meets the established requirements for collective suitability

On the assessment of the composition, structure and performance of the Management Board

- The composition of the Management Board fully complies with the current legislation of Ukraine and internal regulations in terms of the number of members of the Management Board in accordance with the Bank's Articles of Association - at least 3 (three) o the presence of a person responsible for financial monitoring among the members of the Management Board, the absence of the fact that the Chairman of the Management Board heads the Bank's structural units and holds positions of the Chairman and members of the Management Board in other legal entities, compliance with the requirement for the Chairman and members of the Management Board to be capable individuals who meet the qualification requirements
- The structure of the Management Board complies with the applicable laws and regulations in terms of establishing a clear personal distribution of functions and powers of the Management Board members and establishing mandatory committees of the Management Board (Credit Committee and Assets and Liabilities Management Committee).
- The efficiency of the Management Board was maintained at the appropriate level in terms of convening meetings in accordance with the approved work plan and calendar for 2023, the average ratio of regular and extraordinary meetings is 84.2%/15.8%, high level of attendance of the Management Board and its committees by the members of the Management Board, the

average indicator is 91.2%, adherence to the Bank's Strategy and Business Plan with priority given to the risk-based approach and portfolio quality.

On the assessment of competence and efficiency of the Chairman and members of the Management Board

The Chairman and members of the Management Board meet the qualification requirements and professional suitability requirements established by the Supervisory Board, decision of 22.12.2023, Minutes No. 20_23, in part

- education and professional experience (higher education, work experience in banking/financial sector: for the Chairman - at least 5 years, including 3 years as a 1st line manager, for members - at least 3 years): The Management Board fully meets the Bank's requirements for available skills and experience in terms of the size of the Bank, taking into account the significant relevant experience of the Chairman and members of the Management Board, which is sufficient for a full and in-depth analysis of all issues submitted for consideration by the Management Board and the Management Board Committees. The diversity of educational backgrounds (finance, economics, law, management) and the experience gained by all members of the Management Board fully covers the Bank's business areas and risk profile;
- independence of judgment and conflict of interest: The Chairman and members of the Management Board have independence of judgment, which allows them to express opinions without being influenced by any factors that would compromise their professional judgment, allowing them to act with integrity, objectivity and professional skepticism. In 2023, no facts of conflicts of interest were declared or revealed by the members of the Management Board.
- time spent on professional duties: The Chairman and members of the Management Board make a significant contribution to the effective work of the Management Board and Management Board Committees and devote sufficient time to fulfill their duties.
- impeccable reputation: During 2023, no signs were identified that could indicate a violation of the requirements for impeccable business reputation of the Chairman and/or members of the Management Board.

The Management Board fully meets the requirements for available skills, experience, and collective suitability in accordance with the Bank's size, complexity, volume, types, nature of the Bank's operations, organizational structure, and risk profile.

According to the completed Matrix of the Management Board's collective suitability, the members of the Management Board collectively have the knowledge, skills and experience necessary for the Management Board to fulfill its duties. As a collective body, the Management Board has an appropriate understanding of the areas of the Bank's activities for which the Management Board members are collectively responsible, and also ensures effective management of the Bank.

On the assessment of the fulfillment of the goals set by the Management Board of the Bank, the impact of decisions taken by the Management Board of the Bank during the reporting period on the achievement of the strategic goals set for the company:

Despite the ongoing war in Ukraine and all the challenges it posed, the Management Board managed to achieve its key objectives in 2023, among other things,

- to pass the 3 stages of the NBU's sustainability assessment,
- to maintain high portfolio quality through the use of an early warning system, active negotiations with clients and loan restructuring to prevent overdue debts, which resulted in a NPL ratio of 16.2% at the end of 2023 against 28.2% planned in the budget for 31.12.2023, and among 37 active clients at the end of 2023, there were 2 NPLs for corporate business and 1 for small and medium-sized businesses, with the total portfolio decreasing by approximately UAH 5 million compared to 2022,
- to release provisions, in particular, due to the improvement of borrowers' solvency during 2023 in the total amount of UAH 119 million with a further decrease in the cost of risk at the level

- of (-5.9)% as of 31.12.2023 against 18.2% budgeted, and a high borrower solvency ratio with timely repayment in 2023 of at least 90% per month,
- to invest free foreign currency liquidity in US and French government bonds in US dollars and euros, given the fall in demand for foreign currency loans and to preserve profits,
 - to intensify activities related to attracting and transferring funds from current accounts of individuals to deposits with a maturity of more than 93 days, which led to an increase in the maturity of attracted customer funds, diversification of the deposit portfolio and reduction of the amount of mandatory reserves on the correspondent account with the NBU, contributing to the improvement of the Bank's financial result,
 - to comply with the minimum capital adequacy ratio at the end of 2023 (total capital 18.47% against the minimum 10%) and to keep economic indicators under control,
 - to increase liabilities by UAH 1,662 million or 22% compared to the budget as of the end of 2023,
 - to retain active customers with a total of 41.1 thousand as of 2023, which is slightly lower by -3% compared to 2022, however, given the suspension of retail lending and business development,
 - to keep PRAVEX Online up to date,
 - to join the state small business lending programs Affordable Loans 5,7,9 and the state program ePidrymka,
 - to launch the NPX.LA lending tool

During the reporting period, the Management Board of the Bank took all measures to implement the action plan set for 2023, in particular, the work plan of the committees of the Management Board of the Bank and its monitoring, regular convening of the Management Board committees, in particular, the Information Security Management Committee, the possibility of storing and sending materials using cloud storage platforms (due to the Bank's full transition to Microsoft 365 software) is being studied, the cloud storage platform of this software is being analyzed for distribution

Information on how the activities of the Bank's Management Board led to changes in the Bank's financial and business activities:

- During 2023, the Management Board of the Bank paid special attention to monitoring the quality of the loan portfolio, using an early warning system, actively negotiating with customers and restructuring loans, which prevented the growth of overdue debt and as of 31.12.2023, the NPL ratio was 16.2% against the budgeted 28.2%.
- In addition, given the fall in demand for foreign currency loans and in order to preserve profits, it was decided to invest free foreign currency liquidity in US and French government treasury securities in dollars and euros, respectively, as a tool to ensure absolute liquidity and income, given the limited market for investments in financial instruments in times of war.
- Moreover, given the introduction by the NBU in 2023 of a new financial instrument of 3-month NBU certificates of deposit, the Management Board intensified its activities to attract and transfer funds from current accounts of retail customers to deposits with a maturity of more than 93 days, which allowed to increase the maturity of resources attracted from customers, diversify the deposit portfolio and reduce the amount of mandatory reserve funds on the correspondent account with the NBU, thereby improving the Bank's financial result.
- To retain active customers in 2023, the Bank maintained constant communication with customers, thereby ensuring a slight decrease in the active customer ratio compared to 2022 (-3%), but taking into account the fact that the Bank did not resume lending to individuals and the business did not develop as much as in the pre-war period.

Detailed information on the Management Board Report for 2023 is available on the Bank's website at the link: <https://www.pravex.com.ua/o-banke/pro-nas/rozkrittya-informaciyi>

4.5. Information on the presence of a corporate secretary, as well as a report on the results of his/her activities

Name	Ms. Anastasiia Dmytriieva
Documents regulating the activities of the corporate secretary	During 2023, the Corporate Secretary carried out her activities in accordance with the legislation of Ukraine, the Bank's Articles of Association, the Regulation on the Supervisory Board, and the job description.
The corporate body that made the decision to appoint the corporate secretary	Supervisory Board
Date and number of the resolution on the appointment of the corporate secretary	Minutes No. 9_21 dated 29.06.2021, agenda item 10
Date and number of the resolution on approval of the corporate secretary's report for the reporting period	Minutes of the Supervisory Board No. 2_24 dated 26.01.2024, agenda item 20
Main provisions of the report on the performance of the corporate secretary for the reporting period	<p>During the reporting period, the Corporate Secretary ensured the preparation and holding of the General Meeting of Shareholders, meetings of the Supervisory Board, the Management Board and their committees, managing the administrative activities of the unit.</p> <p>In 2023, 20 meetings of the Supervisory Board were held, out of which 12 of physical presence (videoconference) by the Supervisory Board members and 8 by written voting (polling); 9 meetings of the Audit Committee and 8 meetings of the Risk Management Committee; 36 meetings of the Management Board, out of which 26 of physical presence (videoconference) by the Management Board members and 10 by written voting (polling).</p> <p>During the reporting period, the Corporate Secretary monitored the status of execution and implementation of decisions of the Bank's Supervisory Board, Committees of the Supervisory Board and the Management Board.</p> <p>In accordance with the requirements of the Regulation on Disclosure of Information by Securities Issuers (approved by the NSSMC Resolution No. 2826 dated December 3, 2013), the Corporate Secretary ensured timely disclosure of information. Thus, disclosure of regular (annual and interim) information of the Bank as a securities issuer and special information on changes in the composition of the Bank's officers, consent to a significant transaction, approval of remuneration reports of the Supervisory Board and the Management Board members was ensured.</p>

	<p>The Corporate Secretary, together with the Head of the Legal and General Secretariat Department, ensured that the Bank's Articles of Association, Regulation on the Supervisory Board, and Regulation on the Management Board were brought into compliance with the requirements of the new Law on Joint Stock Companies and other laws.</p>
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4.6. Description of the main characteristics of the issuer's internal control and risk management systems, as well as a list of the issuer's structural units that perform key duties to ensure the operation of the internal control and risk management systems

<p>The internal control system provides for a model of three lines of defense Yes/No</p>	<p>Yes.</p>
<p>Description of the functions of the first line of defense units and a list of key units</p>	<p>Level I: linear controls designed to ensure the correctness of operations (e.g., hierarchical, systematic and selective internal controls) and, to the extent possible, incorporated into IT procedures. Such controls are performed directly by operational and business units ("level I units"), including structural units whose sole task is to control and report to the responsible manager or that are performed as part of back-office operations. The primary responsibility for the risk management process lies with the bank's business and support units; in the course of their day-to-day work, such units, in cooperation with the level II units and, where appropriate, the organizational unit, must identify, measure or evaluate, monitor, control and mitigate risks, and report risks arising from normal operating activities in accordance with the risk management procedure. They must comply with operational limits set in accordance with the risk objectives and procedures of the risk management process.</p>
<p>List of units and description of functions of the second line of defense units</p>	<p>Tier II: Risk and compliance monitoring to ensure, among other things, that</p> <ul style="list-style-type: none"> – proper implementation of the risk management process; – compliance with operational restrictions set by various departments; – compliance of operations with laws, regulations and internal policies, rules and procedures. – assurance of the Bank's management that the risk control and management measures implemented at the first level of protection have been implemented and are functioning properly. <p>The units responsible for such control are independent of the operating and business units and participate in the determination of the risk management policy and risk</p>

	<p>management process. Level II comprises the following organizational units of the Bank, if any ("Level II Controlling Units"):</p> <ul style="list-style-type: none"> - <i>Compliance and AML Department.</i> - <i>Risk Management Department.</i>
<p>List of units and description of functions of the third line of defense units</p>	<p>Level III: an internal audit system established to detect irregularities in procedures and rules, and to periodically assess the completeness, correctness and functionality (in terms of efficiency and effectiveness) and reliability of the organizational structure of other components of the internal control system (control levels I and II) and the IT system (ICT audit), at pre-determined intervals depending on the nature and severity of the risks.</p> <p>The Bank's internal audit is performed by the Internal Audit Department. Audits may also be performed by the audit department of the Head Office of the parent company Intesa Sanpaolo.</p> <p>The Internal Audit Department is subordinated to and accountable to the Bank's Supervisory Board.</p> <p>The Head of the Bank's Internal Audit Department is subordinated to and reports to the Bank's Supervisory Board.</p> <p>The Internal Audit Department, as an entity of the internal control system, carries out independent activities to assess the effectiveness of the Bank's corporate governance organization, risk management systems, internal control in the operational and financial areas of the Bank's activities, in the field of information systems and compliance with external and internal regulatory requirements. Audits are carried out in accordance with the annual audit plan, which is prepared on the basis of a risk-based approach and taking into account the requirements of the National Bank of Ukraine, as well as proposals and tasks received from the Bank's Supervisory Board and approved by the Bank's Supervisory Board.</p> <p>The results of the audits and key risks are submitted to the Bank's Supervisory Board for consideration.</p>
<p>Availability of approved document(s) defining the internal control system policy (including the compliance and internal audit system)</p>	<p style="text-align: center;">Yes.</p>
<p>List of key internal documents on the internal control system (including the compliance and internal audit system)</p>	<p>Integrated Internal Control System Regulation of PRAVEX BANK JSC, approved by the Supervisory Board of the Bank, Minutes No. 4_23 dated 28.03.2023, agenda item 13</p>

Date and number of the decision to approve the report on the internal control system (including compliance risks)	On January 27, 2023, the Supervisory Board approved the internal audit report on the assessment of the internal control system (Minutes No. 2_23 of January 27, 2023).
Main provisions of the internal control system report (including compliance risks)	<p>The internal control system was assessed by the internal audit based on the results of the audits and the criteria approved by the Supervisory Board (decision No. 10_20.10 dated 29.09.2020).</p> <p>The results of the internal control system assessment for 2022 performed by the internal audit show that the effectiveness of the internal control system is at a sufficient level.</p>

4.7. Information on the availability of an approved issuer risk exposure declaration, as well as a description of the key provisions of the issuer risk exposure declaration

1	2
Availability of an approved risk exposure declaration: Yes/No	Yes.
Description of the main provisions of the risk exposure declaration	<p>Guidelines for the Risk Appetite Framework of PRAVEX BANK JSC include:</p> <ul style="list-style-type: none"> - information on the functions and responsibilities of the collegial bodies and all involved departments; - macro process of defining, approving, implementing and monitoring risk appetites, including escalation processes and information flows; <p>The annexes disclose the values and calculation rules for the higher priority limit and specific local limits, early warning indicators of risk appetites set by the Parent Company.</p> <p>The Risk Appetite Statement of “PRAVEX BANK” JSC, including references to the above document, contains:</p> <ul style="list-style-type: none"> - types of risks identified as primary risks and other drivers for setting risk appetites at the Bank level; - determining the acceptable level of risk; - risk indicators; - key assumptions for consistency between the Business Plan, Budget and risk appetite; - determining the level (value) of risk appetite; - the level of risk appetites approved (in particular, the values of specific internal risk appetites required by the NBU and not yet covered by the two categories mentioned in the previous document); - risks arising from the trading book as risks that should be avoided; - internal and external factors that influence risk taking; <p>The annexes highlight the basic definitions and rules for calculating specific internal risk appetites.</p>

Name of the body that made the decision to approve the risk exposure declaration	Supervisory Board
Date and number of the decision to approve the risk exposure declaration	Guidelines on the Risk Appetite Framework of “PRAVEX BANK” JSC approved by the Supervisory Board of the Bank in accordance with the Minutes No. 11_23 dated 27.07.2023, agenda item 9.1. Risk Appetite Statement of “PRAVEX BANK” JSC approved by the Supervisory Board in accordance with the Minutes No. 11_23 dated 27.07.2023, agenda item 9.2.

4.8. List of persons who directly or indirectly own a significant shareholding in the issuer

The Bank is a part of Intesa Sanpaolo Banking Group. Intesa Sanpaolo S.p.A. is the Bank's sole shareholder, owning 100% of the Bank's shares. A schematic representation of the Bank's ownership structure as of 31.12.2023 is presented below:



The Bank's ownership structure complies with the requirements established by the current legislation of Ukraine. In 2023, there were no changes in the composition of the owners of significant interest. The Bank has the status of a bank with foreign capital.

4.9. Information on any restrictions on shareholder participation and voting rights at the issuer's general meeting

In 2023, there were no cases of restrictions on the rights of participation and voting of shareholders (participants) at general meetings.

4.10. Procedure for appointment and dismissal of issuer's officials

Employment relations between employees and the Bank are governed by the current labor legislation of Ukraine. All management personnel are employed by the Bank on the basis of concluded labour agreements.

During the recruitment process, the documents provided by the candidates are reviewed, their professional level, work experience, professional competence, and business reputation are studied. The final decision on filling a vacant position is made based on the results of checks and objective examination of the documents of several applicants by conducting a comparative assessment based on knowledge, skills, professionalism and experience in relation to the role being recruited for.

When hiring managers or transferring employees to managerial positions, the Bank uses its many years of experience in the Ukrainian market, the Group's best European HR practices and acts exclusively in accordance with the current legislation of Ukraine.

Taking into account the norms of labor legislation, the Bank has developed the Procedure for Recruiting and Employing Employees in “PRAVEX BANK” JSC, the Procedure for Hiring

Employees and the Procedure for Dismissing Employees, which regulate in detail the procedure for appointing and dismissing all employees of the Bank.

4.11. Authorities of the issuer's officials

The authorities and duties of the Chairman, Deputy Chairman and members of the Management Board are set out in the Bank's Articles of Association, Regulation on the Management Board, and labour agreements concluded with them.

4.12. Information on remuneration of members of the executive body and the issuer's board

Information on remuneration of the Supervisory Board members

1. The amount of remuneration accrued/paid for/prior periods and/or to be paid to the Members of the Supervisory Board based on the results of the financial year under review (in terms of fixed and variable components of remuneration, in cash and in non-cash instruments).

In 2023, the remuneration to the Members of the Bank's Supervisory Board was paid in accordance with the Decisions of the Bank's Shareholder dated 22.04.2021 No. 1/2021, 06.11.2023, No. 5/2023 and 16.11.2023 No. 6/2023 on the basis of civil law contracts concluded with the Members of the Bank's Supervisory Board for performing the duties of the Supervisory Board Members, including as Members of the Supervisory Board committees during the reported year.

According to the decision of the Bank's Shareholder, remuneration is paid to only four Members of the Supervisory Board: the three independent Members and the Chairman of the Supervisory Board.

The total annual (fixed) remuneration paid to the Members of the Supervisory Board during 2023 amounted to EUR 51,352.48 after tax and included fixed remuneration and other compensation payments stipulated by the relevant agreements (including compensation for business travel tickets, road tolls, gasoline, etc.)

2. Terms of remuneration payment (actually paid remuneration and deferred remuneration by deferral periods).

The Members of the Supervisory Board were paid remuneration on 15.12.2023 on a pro rata basis in accordance with the term of their powers in accordance with the procedure set out in the civil law contracts concluded with the Members of the Supervisory Board entitled to receive remuneration.

Due to the early termination of the powers of the Chairman of the Supervisory Board, Ezio Salvai, the remuneration for 2023 was paid to him on 17.11.2023 according to the Decision of the Shareholder No.6/2023 date 16.11.2023.

The remuneration accrued to the Members of the Supervisory Board was paid by crediting it to their foreign currency accounts.

3. Description of non-monetary instruments in which remuneration to the Members of the Supervisory Board is to be paid.

No remuneration is paid nor foreseen for the Supervisory Board Members in the form of non-monetary instruments.

4. Facts of the Bank's exercise of the right to reduce/cancel/refund the variable remuneration previously paid to the Supervisory Board Members.

There are no facts of the Bank's use of this right, as variable remuneration to the Supervisory Board Members is not provided.

5. Violations of the terms of the remuneration regulation detected by the Bank and measures or decisions taken as a result of such violations.

No violations of the provisions of the Remuneration and Incentive Policies of "PRAVEX BANK" JSC were detected.

ADDITIONAL INFORMATION

1. Actual attendance of a Member of the Supervisory Board at meetings of the Board and its committees, along with reasons for his/her absence:

The absence of all Members at the meetings was due to valid reasons, mainly business commitments, but this did not jeopardize the effectiveness of the meetings.

Member of the Supervisory Board	Supervisory Board	Audit Committee	Risk Management Committee
Mr. Silvio Pedrazzi	4/4 (100%)	-	-
Mr. Ezio Salvai	16/16 (100%)	-	-
Mr. Corrado Pietro Maria Casalino (independent)	20/20 (100%)	9/9 (100%)	8/8 (100%)
Mr. Fabrizio Mallen (independent)	20/20 (100%)	-	8/8 (100%)
Ms. Laura Febbraro (independent)	19/20 (95%)	8/9 (88,88%)	-
Mr. Francesco Del Genio	17/18 (94,44%)	-	6/6 (100%)
Ms. Daniela Blandino	17/19 (89,47%)	-	-
Mr. Antonio Giovanni Maria Bergalio	8/13 (61,53%)	4/5 (80%)	-
Mr. Lorenzo Fossi	7/7 (100%)	2/4 (50%)	3/5 (60%)
Average attendance rate	93,4%	79,72%	90%

2. Confirmed facts of unacceptable behavior of a Member of the Supervisory Board (including those reported confidentially) and measures taken as a result of the investigation if such facts/measures have an impact on the payment of remuneration to a Member of the Supervisory Board.

There are no facts of unacceptable behavior of a Member of the Supervisory Board (including those reported confidentially).

3. Presence / absence of reasonable grounds for payment / deferral / reduction / refund of variable remuneration of a Member of the Supervisory Board.

Variable remuneration is not provided for the Members of the Supervisory Board. Accordingly, there are no grounds for payment / deferral / reduction / refund of variable remuneration.

OTHER INFORMATION ABOUT REMUNERATION

1. Information on payments in cash and/or non-monetary instruments made in favor of the Supervisory Board Members.

1.1. *the amount of payments related to hiring/dismissal;*

The Bank did not make any payments in cash or non-cash form in connection with the hiring (election) or dismissal (termination of powers) of a Member of the Supervisory Board

1.2. *market value of remuneration paid by means of material incentives*

No remuneration was paid to the Supervisory Board Members in the form of material incentives.

2. Information on remuneration in the form of participation of the Supervisory Board Members in the supplementary pension program.

2.1. *in the case of participation in a defined benefit plan, changes in the planned benefits that occurred during the reporting financial year;*

Members of the Supervisory Board do not participate in additional pension programs.

2.2. *in case of participation in a defined contribution program - in respect of contributions paid by the Bank in respect of the Supervisory Board Members during the reporting financial year.*

Members of the Supervisory Board do not participate in additional pension programs.

3. Information on the Bank's provision of loans, credits or guarantees to the members of the Supervisory Board during the reporting financial year.

The Bank did not provide loans, credits or guarantees to the Members of the Supervisory Board.

Detailed information on the report on remuneration of the Supervisory Board members is available at <https://www.pravex.com.ua/o-banke/pro-nas/rozkrittya-informaciyi>.

Information on the remuneration of the members of the Management Board and key management personnel

1. The amount of remuneration accrued/paid for/within the prior periods and/or to be paid to the Members of the Management Board, influential persons based on the results of the financial year under review (in terms of fixed and variable components of remuneration, in cash and non-cash instruments).

The total annual (fixed) remuneration paid to the members of the Management Board during 2023 amounted to UAH 14 798 548.69 after tax.

The total annual (fixed) remuneration paid to the influential persons in 2023 amounted to UAH 10 838 783.79 after tax.

These amounts include basic salary and other compensation payments stipulated by the respective labour agreements (including the cost of benefits provided for therein, such as accommodation costs in Kyiv, ticket reimbursement, medical insurance, use of a company car, business and representation expenses, business trips and all work permits in Ukraine).

The total annual (variable) remuneration paid to the Members of the Management Board during 2023 amounted to UAH 920 588.36 after tax.

The total annual (variable) remuneration paid to the influential persons during 2023 amounted to UAH 1 515 194.35 after tax.

2. Terms of remuneration payment (actually paid remuneration and deferred remuneration by deferral periods).

In accordance with the Bank’s Regulation on employee's remuneration and bonuses payment, as well as labour agreements concluded with the Members of the Management Board and the influential persons, remuneration was paid twice a month (on the 1st and 16th of each month, if these days fall on weekends, remuneration is paid the day before). There were no cases of deferred payment of remuneration.

3. Description of non-monetary instruments in which remuneration is to be paid to Members of the Management Board and influential persons.

No remuneration was paid to the Members of the Management Board and influential persons in the form of non-monetary instruments.

4. Facts of the Bank's exercise of the right to reduce/cancel/refund the variable remuneration previously paid to the Members of the Management Board and influential persons.

There are no facts of the Bank's use of the right to reduce/cancel/refund previously paid variable remuneration to the Members of the Management Board and influential persons.

5. Violations of the terms of the remuneration regulation detected by the Bank and measures or decisions taken as a result of such violations.

During the reported period, no violations of the terms of the Bank’s Remuneration and Incentive Policies were detected.

ADDITIONAL INFORMATION
1. Actual attendance of a Member of the Management Board at meetings of the Management Board and its committees of which such Member is a member, or reasons for his/her absence.

In 2023, the Management Board Members were absent from meetings due to vacations, temporary disability and business trips.

Member of the Management Board	Management Board	Credit Committee	Non-Performing Assets Committee	Credit Risk Governance Committee	Assets and Liabilities Management Committee	Operational Risk Committee	Change Management Committee	Information Security Management Committee	Tender committee	Environmental, Social and Governance Committee
Mr. Stefano Burani	22/22 100%	26/29 90%	19/23 83%	7/7 100%	12/12 100%	4/4 100%	7/7 100%	6/6 100%	6/9 67%	-
Mr. Gianluca Corrias	13/14 93%	20/22 91%	15/16 94%	3/5 60%	5/7 71%	1/1 100%	5/5 100%	1/2 50%	8/8 100%	-
Mr. Semen Babaiev	33/36 92%	40/41 98%	-	8/12 67%	16/19 84%	-	10/12 83%	7/8 88%	3/3 100%	1/1 100%
Ms. Svitlana Kramarova	35/36 97%	-	-	-	17/19 89%	5/5 100%	12/12 100%	7/8 88%	15/17 88%	1/1 100%
Mr. Dario Giuseppe Caprioli	34/36 94%	-	-	-	-	5/5 100%	12/12 100%	8/8 100%	14/17 82%	-
Ms. Olena Pokhodziaieva	32/36 89%	-	-	3/3 100%	5/5 100%	5/5 100%	-	8/8 100%	-	1/1 100%
Mr. Ruslan Leshchenko	34/36 94%	47/51 92%	39/40 98%	12/12 100%	12/12 100%	-	10/12 83%	7/8 88%	-	1/1 100%
Average presence rate	94%	93%	92%	85%	91%	100%	94%	88%	87%	100%

Some Members of the Management Board actively participated in the work of certain committees of the Management Board as permanent invitees, although they are not members of them, namely:

- Mr. Semen Babaiev - Non-Performing Assets Committee;
- Ms. Svitlana Kramarova - Non-Performing Assets Committee, Credit Risk Governance Committee;
- Ms. Olena Pokhodziaieva - Credit Committee, Non-Performing Assets Committee, Change Management Committee, Tender Committee;
- Mr. Dario Giuseppe Caprioli - Environmental, Social and Governance Committee.

2. Confirmed facts of unacceptable behavior of a Member of the Management Board, an influential person (including those reported confidentially) and measures taken as a result of the investigation if such facts/measures have an impact on the payment of remuneration to a Member of the Management Board, an influential person.

During the reporting period, there were no facts of unacceptable behavior of the Management Board Members or influential persons (including those reported confidentially).

3. Presence / absence of reasonable grounds for payment / deferral / reduction / refund of variable remuneration of a Member of the Management Board, an influential person.

In 2023, no facts were identified that would give the Bank grounds to demand the return, deferral or reduction of variable remuneration previously paid to the Members of the Management Board and influential persons. The payment of variable remuneration to the Members of the Management Board and influential persons was made on the grounds provided for in the Bank's Remuneration and Incentive Policies.

OTHER INFORMATION ABOUT REMUNERATION

1. Information on payments in cash and/or non-cash instruments made in favor of Members of the Management Board, influential persons.

1.1. the amount of payments related to hiring/dismissal;

No severance payment was paid to the Members of the Management Board.

As for the influential persons, Ms. Iryna Davydova, Head of AML and Combat of Terrorism Financing Office of Compliance and AML Department, was dismissed on 20.11.2023 in accordance with Article 36(1) of the Labor Code of Ukraine. Upon her dismissal, Ms. Iryna Davydova was paid a severance payment in the amount of UAH 66,633.87 after tax, which is equal to the average salary for the last 6 months in accordance with the Law of Ukraine No. 3111-IX dated 29.05.2023.

1.2. the market value of remuneration paid by means of material incentives.

There are no corresponding payments in 2023.

2. Information on remuneration in the form of participation of Members of the Management Board and influential persons in the supplementary pension program.

2.1. in case of participation in a defined benefit plan, changes in the planned benefits that occurred during the reported financial year;

The Members of the Management Board and influential persons do not participate in additional pension programs.

2.2. in case of participation in a defined contribution plan - in respect of contributions paid by the Bank in respect of Members of the Management Board and influential persons during the reported financial year.

The Members of the Management Board and influential persons do not participate in additional pension programs.

3. Information on loans, credits or guarantees granted by the Bank to Members of the Management Board, influential persons during the reported financial year.

During the reported period, the Bank did not provide loans, credits, or guarantees to the Members of the Management Board or influential persons.

Information on existing loans, credits and guarantees received in the previous periods:

1. Semen Babaiev, Deputy Chairman of the Management Board - mortgage loan as of 31.12.2023 - balance of UAH 223,670.50, interest rate - 12%.

Detailed information on the report on remuneration of the Management Board members and influential persons is available at <https://www.pravex.com.ua/o-banke/pro-nas/rozkrittya-informaciyi>.

4.13. Main provisions of the issuer's information disclosure policy

During 2023, the Bank disclosed information in accordance with the Regulation on Disclosure of Information by Securities Issuers approved by the decision of the National Securities and Stock Market Commission dated 03.12.2013 No. 2826 (as amended), as well as the Regulation on Disclosure of Information by "PRAVEX BANK" JSC as a Securities Issuer approved by the decision of the Chairman of the Management Board of the Bank dated 28.02.2020 No. 39.

The Regulation on Disclosure of Information by "PRAVEX BANK" JSC as an Issuer of Securities (hereinafter - the Regulation) regulates the composition, procedure and terms of disclosure of regular and special information of the issuer of securities (hereinafter - the Information) to the stock market and the procedure for interaction between the Bank's structural units responsible for communication and reporting/submission of the Information to the NSSMC.

4.14. Information about the advisor

The Bank does not have a corporate rights advisor.

5. REPORT ON THE ISSUER'S SUSTAINABLE DEVELOPMENT

5.1. Assessment of the issuer's environmental and social responsibility activities for the reporting period

In May 2023, PRAVEX BANK joined the UN Global Compact. The Bank has committed itself to adhering to the thirteen goals of the UN Global Compact in four areas: human rights protection, labor relations, environmental protection and anti-corruption.

Preservation of ecosystems is in line with the principles of the UN Global Compact, which PRAVEX BANK adheres to in the field of environmental protection. The bank believes that biodiversity conservation is possible not only in the nature reserve fund, but also in urbanized areas. In 2023, employees of the Khmelnytska Regional Directorate of PRAVEX BANK held an environmental campaign - a cleanup on the banks of the Kudrianka River. The participants of the cleanup noted that cleaning the riverbank is not only important from an environmental point of view, but also strengthens team spirit and unites employees. This initiative demonstrated that each individual can make a significant contribution to environmental protection. It emphasized how important it is to join forces to achieve a common goal in nature conservation.

As for social responsibility, it should be noted that at the end of 2023, the Bank employed 651 employees. All employees are covered by social insurance and have social guarantees in accordance with the current legislation of Ukraine. The Bank implements these principles through the Internal Code of Conduct of PRAVEX BANK, which defines the ethics of internal relations, customer relations and attitude to work to achieve a common goal. Strict adherence to the Internal Code provides the team with the organizational and ideological unity necessary for development. This system of principles is the foundation for doing business in the Bank, which strives to provide excellent banking and financial services to its customers.

The Bank considers its employees to be its most valuable resource and engages the leading specialists in the Ukrainian market. The Bank provides all employees with equal opportunities in terms of evaluation, motivation and career development, involvement in new initiatives,

participation in new projects, etc. in order to achieve strategically defined goals, solve planned tasks, as well as social and personal problems of employees. Employees of the Bank have the opportunity to improve their general and professional level through participation in training, seminars, and professional development activities, including the exchange of experience, and this is implemented both within the Bank and within the Group. In 2023, 19 ESG (*Environmental, Social, and Governance*) classes were held, with 605 employees participating.

The Bank pays great attention to the development of its intellectual capital by actively investing in the training, development and motivation of its staff. The basis of intellectual capital is the recognition of the role of people. In today's environment, the Bank and Intesa Sanpaolo Group are actively engaged in the comprehensive development of their staff by organizing internal corporate trainings, online conferences and seminars. The Bank's human resources policy is based on a set of principles, models and methods to create, maintain and develop highly qualified and productive staff that can quickly respond to market challenges and implement the Bank's strategic plans collectively.

The Bank believes that internal communication is a key element in establishing effective relations between employees and management. Internal communications activities contribute to a deeper understanding of the Bank's corporate culture, goals and values by employees. They unite different departments, creating a sense of community and an effective team. An important effect of internal communications is to inspire people to stay motivated, help each other and overcome the current psychological stress.

In celebration of Bank Employee's Day and on the eve of Children's Protection Day, PRAVEX BANK, in collaboration with the National Bank of Ukraine, organized a series of activities for school and preschool children. In total, six employees of PRAVEX BANK became ambassadors, who conducted more than ten financial literacy lessons in educational institutions of Ukraine. Continuous improvement of skills and willingness to share knowledge create the basis for sustainable development and improvement of life.

Since the beginning of the full-scale invasion, every resident of Ukraine has experienced emotions and states that they have never experienced before. PRAVEX BANK helps employees restore psychological stability by implementing a number of projects and programs. One such initiative is the professional psychological support service for employees Care Connect, launched on June 1, 2023. This service is provided by the European consulting company Stimulus with the support of Intesa Sanpaolo Group. Stimulus specializes in mental health and well-being at work. The free, anonymous and confidential service is available 24 hours a day, seven days a week via a toll-free number. A team of psychologists and psychotherapists provide specific help in responding to various personal and professional issues that they may face in their daily lives, which may cause anxiety or affect well-being. To help people realize and rethink themselves and their goals, actions, feelings, needs and psychological problems, the Bank holds movie sessions with a psychologist. During the movie sessions, employees watch feature films and then discuss them in a group. This is a creative and exciting process of self-discovery where employees watch feature films and discuss them in a group.

PRAVEX BANK, together with the Kyiv City Blood Center, is implementing the Corporate Donor Day social project. This important initiative brings together employees, clients and partners of the Bank in a joint effort to help those in need of an urgent blood transfusion. Almost 100 experienced donors and those who decided to donate blood for the first time joined the project. PRAVEX BANK's participation in such initiatives is very important, as they contribute to the achievement of the UN Sustainable Development Goals and are in line with the ESG principles that guide the Bank in implementing its own development strategy.

5.2. Key risks and challenges related to environmental protection and social responsibility, plans to address them, and their impact on the issuer's strategic goals

The Bank adheres to its growth strategy and aims to create a lasting and strong economic, financial, social, community and environmental foundation, which should be built on the trust of all our partners and based on our own values.

The Bank's goal is to achieve optimal profitability and create strong foundations in all aspects of its operations. In doing so, the emphasis is placed on the trust of its partners and its own values. The Bank has identified key areas of development, such as improving network efficiency and controlling staff and administrative costs.

Working on the implementation of ESG criteria in its activities, PRAVEX BANK aims to make the UN Global Compact and its principles part of the Bank's strategy, culture and daily operations, as well as to participate in joint projects that contribute to the implementation of the UN Sustainable Development Goals.

PRAVEX BANK implements its own long-term development strategy, which is based on the UN Sustainable Development Goals and complies with ESG principles. PRAVEX BANK's efforts in the field of sustainable development are aimed at reducing environmental impact and rational use of resources, preserving the health of staff, ethical business conduct and compliance with anti-corruption standards, open dialogue with society and employees.

5.3. Main provisions of the issuer's policy on environmental protection and social responsibility

PRAVEX BANK, as a member of the UN Global Compact, is guided in its activities by the Sustainable Development Goals, 13 of which are integrated into the Bank's ESG strategy: no poverty, good health and well-being, quality education, gender equality, affordable and clean energy, decent work and economic growth, industry, Innovation and Infrastructure, reduced inequality, sustainable cities and communities, responsible consumption and production, climate action, peace, justice and strong institutions, partnership for the goals.

An important component of the Bank's investment and lending decisions is the assessment of social and environmental risks. The Bank recognizes that economic activity should be profitable but should not harm society or the environment.

In accordance with this principle:

- The Bank refuses to consider financing projects that may violate fundamental human rights, impede human development, or have a negative impact on public health and the environment.
- The Bank supports peaceful coexistence by refusing to provide financial support for activities that may threaten it.
- The Bank prefers projects with high social and environmental impact.
- The Bank also actively adheres to the ESG (Environmental, Social, and Governance) principles aimed at preserving the ecological balance and maintaining a careful attitude to natural resources and the social climate. The implemented effective environmental management system is based on the principles of the green economy. These measures contribute to sustainable development in all aspects of banking activities.

5.4. List of issues and decisions on environmental protection and social responsibility considered by the issuer's board and executive body

<p>1. List of issues considered by the Board and a summary of the decisions taken</p>	<p>1) Decision of the Supervisory Board dated 27.04.2023, Minutes No. 6_23, agenda item 6, on the Bank's cooperation with the UN under the Global Compact, which will be carried out, inter alia, with the aim of implementing ESG initiatives by the Bank. Taking into account that the UN is the world's largest sustainable corporate development initiative that encourages companies to align their strategies and activities with the universal principles of human rights, labor, environment and anti-corruption and to take measures aimed at achieving social goals, it was decided to approve the Bank's cooperation with the UN Global Compact by signing a letter of commitment to the UN Global Compact and an agreement with the local representative office - the Public Union "Global Compact Network in Ukraine".</p> <p>2) Decision of the Supervisory Board dated 13.07.2023, Minutes No. 10_23, agenda item 1, a one-time payment was approved to all eligible employees of the Bank. The Parent Company decided to provide one-time financial assistance, not related to performance, in the form of a "One-time payment", taking into account the special situation caused by the war in Ukraine.</p> <p>3) Decision of the Supervisory Board dated 28.11.2023, Minutes No. 18_23, agenda item 9, all employees of the Bank falling into the specified categories were provided with one-time financial assistance not related to the results of economic activity, as well as additional support for employees from the occupied or dangerous areas of Ukraine located near the contact line. The assistance was provided in connection with the decision of the Bank's management to repatriate employees to Ukraine, to ensure the Bank's continuity and proper management of operational and other risks in the context of war, and to take care of the welfare of employees in the current difficult circumstances in the country.</p> <p>4) Decision of the Supervisory Board dated 22.12.2023, Minutes No. 20_23, agenda item 15, the results of the analysis of the gender pay gap in the Bank's employees for 2021 and 2022 were approved. The Parent Company and the Bank have a clear position on equality issues, especially on ensuring the neutrality of the remuneration and incentive policy based on gender and monitoring the possible gender pay gap and its changes over time, introducing appropriate corrective actions where necessary.</p>
<p>2. The list of issues considered by the executive body and a summary of the decisions taken:</p>	<p>1) Decision of the Management Board dated 29.06.2023, Minutes No. 20_23, agenda item 8.1, on acknowledgment of the Group's document: Group Guidelines for the Governance of Environmental, Social and Governance (ESG) Risks. It was decided to develop an internal document - Guidelines for the Governance of Environmental, Social and Governance (ESG) Risks based on the Group's document.</p>

	<p>2) Decision of the Management Board dated 25.07.2023, Minutes No. 22_23, agenda item 18, on approval of the updated Regulation on Management Committees. It was decided to establish the Environmental, Social and Governance Committee for decision-making, the main purpose of which is to coordinate and regulate issues related to environmental, social and governance issues, as well as to ensure the proper implementation of the strategy on environmental, social and governance issues and to approve the updated Regulation on Management Committees.</p>
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5.5. The list of key stakeholders affected by the issuer's activities, with justification of the impact

Such stakeholders are absent.

5.6. The list of stakeholders that have an impact on the issuer's achievement of strategic goals, with justification of what such impact is

The key stakeholders that have an impact on the issuer's achievement of strategic goals are:

- state (regulatory, legislative, and executive authorities) - directly influences the achievement of strategic goals through general and special regulation of banks' activities;
- key employees of the Bank (members of the Management Board) - the presence/absence of which directly affects the Bank's operating activities; through the adoption of certain management, personnel, etc. decisions, implementation of financial policies that affect the achievement of strategic goals;
- suppliers of key services and services of the Bank's IT infrastructure - affect the Bank's continuity of operations and ensure the functioning of business processes

5.7. Main provisions of the issuer's policy on interaction with stakeholders, including shareholders/participants

The Bank does not have a policy on interaction with stakeholders, including shareholders/members. The Bank adheres to the general principles of stakeholder engagement using the best international practices. The Bank plans to develop and approve a policy on interaction with stakeholders, including shareholders/participants in 2024.

5.8. Human resources, intellectual capital; employment issues, respect for human rights

The Bank makes efforts to develop its intellectual capital by investing resources in training, development and motivation of employees. The main carrier of intellectual capital is a person. Intellectual capital management helps to create excellent opportunities to define and implement successful future strategies and has a significant positive impact on the professional and career growth of employees today. In today's challenging environment, the Bank and Intesa Sanpaolo Group make great efforts to ensure comprehensive development of employees by organizing internal corporate trainings, online and offline conferences and seminars.

Based on the basic principles of the Code of Conduct of Intesa Sanpaolo Group, the Bank has developed and is implementing the Internal Code of Conduct of PRAVEX BANK JSC.

The Internal Code of Conduct of “PRAVEX BANK” JSC defines the ethics of internal relations in the team, relations with clients and the attitude of everyone to their work to achieve a common goal. Strict adherence to the Internal Code of Conduct of “PRAVEX BANK” JSC provides the team with organizational and ideological unity necessary for development. This is a system of principles that is the way we do business in our company.

The Bank believes that internal communication is the establishment of effective relations between employees and management. Internal communications are aimed at solving strategic tasks, strengthening employee engagement and loyalty, and establishing common standards of behavior in accordance with the Bank's Code of Ethics, which is based on the basic principles of the Group's Code of Ethics. Thanks to internal communications, employees have a deeper understanding of the Bank's corporate culture, goals and values, which they follow. Internal communications unite all departments, create a sense of community and an effective team, and inspire how to keep motivated, help others and withstand today's psychological stress.

The Bank believes that respect for the person and personal dignity of each employee is the foundation for developing a work environment that is imbued with mutual trust and honesty and enriched by the personal contribution of each employee.

5.9. Anti-corruption issues

If necessary, the Bank cooperates with national law enforcement agencies by providing their authorized representatives with assistance in conducting inspections on preventing and combating corruption, measures to prevent and investigate corruption crimes.

The Bank, as part of the Group, strives to combat corruption in all its forms and manifestations, where corruption refers to the offer or acceptance, directly or indirectly, of money or other benefit that may influence the recipient, in order to induce or encourage the performance of a function/activity or omission thereof. To achieve these goals, the Bank has developed the Anti'Corruption Policy, which was approved by the Supervisory Board of the Bank on 02.03.2023, Minutes No. 3_23, agenda item 17 (in this paragraph - the Policy).

The Policy was developed to confirm the commitment of the Bank, its governing bodies and employees to high ethical standards and principles of open and honest business conduct, as well as the banking institution's desire to improve its corporate culture, comply with the best international corporate governance practices and maintain the Bank's business reputation at the appropriate level.

The main goals and objectives of the Policy are:

- creating conditions for successful counteraction to corruption in the Bank;
- defining and implementing mandatory procedures for preventing corruption in the Bank;
- ensuring that the Bank's activities comply with the requirements of Ukrainian and international anti-corruption legislation and business ethics standards;
- regulating the Bank's standards in the field of anti-corruption activities;
- creating a common understanding of the Bank's position on the rejection of corruption in any form and manifestation among the Bank's management and employees, as well as among persons interacting with the Bank;
- protecting the Bank's shareholders and clients from financial losses and loss of reputation in the event of corruption;
- minimizing the risk of involvement of the Bank, its managers and employees (regardless of their position) in corruption activities;
- assisting in ensuring transparency of the Bank's financial and economic activities in general;
- implementing the advanced corporate governance standards.

The basic principles of the Bank's anti-corruption activities are:

The Bank's adherence to the requirements of the law and high ethical standards in business relations is intended to help strengthen the Bank's reputation among partners, counterparties, customers and other persons who come into contact with the Bank in the course of their activities. The Bank's refusal to participate in corrupt transactions and prevention of corruption stimulate the conscientious behavior of employees in relations both within the Bank and externally (with partners, counterparties, customers and other persons).

The Bank cooperates with government and law enforcement agencies on anti-corruption issues and takes appropriate measures to counteract attempts to legalize the proceeds of crime.

Zero Tolerance Principle: the key role in creating a culture of intolerance to corruption and in establishing an internal system for preventing and combating corruption is assigned to the Bank's management. The Bank's shareholders, management and officials set an ethical standard of zero tolerance for any form and manifestation of corruption at all levels, setting an exemplary example for communication and maintaining business relations.

Implementation of anti-corruption procedures includes informing all employees about the Bank's position and attitude to anti-corruption issues. The Bank promotes the level of anti-corruption culture by informing employees in order to maintain their awareness of anti-corruption legislation and the Bank's anti-corruption policy, and to master the methods and techniques of applying the anti-corruption policy in practice.

The Bank takes all necessary measures to develop, improve and implement a set of measures to reduce the likelihood of involvement of the Bank, its managers and employees in corruption activities.

Proportionality and inevitability of punishment:

The Bank requires its management, officers and employees to strictly comply with the requirements of the Policy, national and international anti-corruption policies.

The Bank's shareholders, management and employees, regardless of their position, length of service and other conditions, shall bear liability established by law and internal documents in case of corruption offenses.

Business openness

The Bank shall communicate its Policy (declarative part of the Policy) through mass media and the Internet in order to inform individuals and legal entities, including contractors, partners, etc. about the anti-corruption standards of doing business implemented by the Bank.

The Bank welcomes and encourages compliance with anti-corruption principles and requirements by all counterparties, partners, clients and other persons.

The Bank responds to any reports and appeals regarding signs of corruption that come from all interested and concerned parties to the call center or are sent to the Bank's e-mail: bank@pravex.ua.

In 2023, no enforcement actions were taken against the Bank by the regulatory authorities.

As of today, PRAVEX BANK complies with all established prudential (economic) standards of the NBU, and there are no sanctions imposed by the NBU.

6. INFORMATION ON THE ISSUER'S RELATIONS WITH FOREIGN COUNTRIES OF THE RISK ZONE

6.1. Presence in the issuer's ownership structure of individuals holding the citizenship of a foreign country in the risk zone

There are no such individuals.

6.2. Presence in the ownership structure of the issuer of individuals whose permanent

place of residence is in foreign countries of the risk zone

There are no such individuals.

6.3. Presence in the ownership structure of the issuer, legal entities registered in foreign countries of the risk zone

There are no such legal entities.

6.4. Presence in the issuer's management bodies of individuals with the citizenship of a foreign country in the risk zone

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

6.5. The issuer has business relations with counterparties / customers of the risk zone state or counterparties / customers controlled by the risk zone state

The Bank has no customers directly controlled by the countries of the risk zone.

However, there are a few clients that are partially controlled by current or former citizens of risky countries. The work with such clients is separately analyzed and monitored by the AML and Combat of Terrorism Financing Office to ensure compliance with local and international sanctions legislation and internal policies and procedures.

The Bank has terminated its contractual relationship with the correspondent bank registered in the aggressor state, however, according to available information, the said correspondent bank continues to hold an insignificant amount of the Bank's funds in the currency of the aggressor state, which was kept on the said correspondent account.

6.6. Location of the issuer's subsidiaries/enterprises, branches, representative offices and/or other separate structural units in the territory of the risk zone state

There are no separate structural units located in the risk zone state.

6.7. Presence of legal entities as a founder, participant, shareholder of which the issuer is together with the persons specified in subparagraphs 1 - 3 of this paragraph;

There are no such legal entities.

6.8. If the issuer has corporate rights in a legal entity registered in a foreign country of the risk zone

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

6.9. If the issuer holds securities (other than shares) of 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.

JOINT-STOCK COMPANY

“PRAVEX BANK”

Financial statements as at
31 December 2023 and for the year
then ended

with independent auditor's report

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Independent auditor's report

To the Shareholder and the Supervisory Board of Joint Stock Company "PravexBank"

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Joint Stock Company "Pravex Bank" (hereinafter, the "Bank"), which are presented on pages 1 to 78 of the Bank's Annual Report for the year 2023 and comprise the statement of financial position as at 31 December 2023 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Notes 2 and 3 in the financial statements, which indicate that the Bank's operations have been negatively affected by the Russian Federation's military invasion of Ukraine. The Bank incurred a net loss of UAH 92,890 thousand for the year ended 31 December 2023. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Assessment of expected credit loss on loans and advances to customers

Assessment of expected credit losses in accordance with IFRS 9 "Financial instruments" is complex and inherently subjective process that requires application of judgements and making assumptions by the Bank's management.

The use of different approaches and assumptions in respect of historical and forecast macroeconomic information in the assessment of such indicators as probability of default and loss given default, macroeconomic indicators, could produce significantly different estimates of expected credit loss on loans and advances to customers.

In addition, the balance of loans and advances to customers represents a significant portion of total assets of the Bank and is a material to the financial statements.

Therefore assessment of expected credit loss on loans and advances to customers was a key area of judgment for the Bank's management.

Information on expected credit loss and risk management policies is included in the Notes 4, 8 and 32 in the financial statements.

Our audit procedures included assessment of the methodology, approaches and assumptions used by the Bank in respect of historical and macroeconomic information in the assessments of expected credit losses on loans and advances to customers.

We obtained an understanding, evaluated the design, and tested operating effectiveness of the controls related to the process of expected credit loss assessment on loans and advances to customers. We identified and tested controls related to calculations and input data.

We tested information produced by the Bank and used in development of assumptions in calculation of expected credit loss, as well as for such indicators as: probability of default, loss given defaults, recoveries, forward-looking and macroeconomic indicators, which directly affect the amounts of expected credit loss on loans and advances to customers.

Also, we analysed the Bank's information about expected credit loss on loans and advances to customers included in the notes 4, 8 and 32 in the financial statements.

Other information included in the Management report and the Bank's Annual Information of the Issuer of Securities for 2023

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of management and the Supervisory Board for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



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

We communicate with the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Supervisory Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing and in accordance with "Requirements to the information related to the audit and review of capital market

participants and organized commodity markets under supervision of the National Securities and Stock Market Commission (the NSSMC)" approved by the NSSMC Decision №555 dated 25 July 2021 (hereinafter – "NSSMC Requirements"):

Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the Bank's financial statements on 29 October 2020 by the Supervisory Board. Our appointment has been renewed annually by the Supervisory Board. The period of total uninterrupted engagement for performing the statutory audit of the Bank is three years.

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

We confirm that this independent auditor's report is consistent with the additional report to the Supervisory Board and the Audit Committee of the Bank, which we issued on 12 July 2024 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

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

Reporting under the NSSMC requirements

- Full legal name of the Bank, information on the ultimate controlling party as well as ownership structure are disclosed in Notes 1 and 36 to the Bank's financial statements.
 - As at 31 December 2023, the Bank had no subsidiaries and was not a controller or a participant of a non-banking group.
 - The Bank is a public interest entity according to the requirements of Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.
 - Prudential ratios, established by the NSSMC for relevant activity of professional participants in capital markets and organized commodity markets, are not applicable to banks that perform professional activities at stock markets in accordance with "Regulation on prudential ratios for professional activities at stock markets and risk management requirements" (as amended) approved by the NSSMC Decision No.1597 dated 1 October 2015.
 - The Bank's Audit Committee has not performed an examination of the Bank's financial and economic activities for the financial year.
- Limited liability company "Ernst & Young Audit Services" (ERDPOU: 33306921, web-site: www.ey.com/en_ua) have audited the Bank's financial statements according to

agreement No. GFS-2023-00001 dated 27 September 2023. The audit was conducted in the period from 31 October 2023 to 15 July 2024.

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

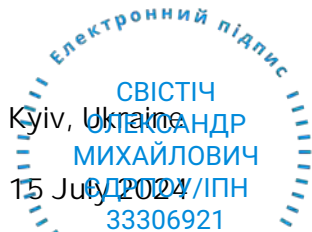
For and on behalf Ernst & Young Audit Services LLC

Svistich O.M.
General Director

Studynska Y.S.
Partner

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

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



Simak M.V.
Auditor

Registration number in the Register of auditors and audit firms: 101255

Ernst & Young Audit Services LLC is included in the Register of auditors and audit firms, which is maintained by the Audit Public Oversight Body, registration number: 3516



Документ підписано у сервісі Вчасно (початок)
PRX_2023_Auditors Report.pdf

<i>(in thousands of Ukrainian hryvnias)</i>			
Item	Notes	31/12/2023	31/12/2022
1	2	3	4
ASSETS			
Cash and cash equivalents	6	3,419,039	2,409,276
Loans and advances to banks	7	133,374	132,464
Loans and advances to customers	8	2,026,390	3,694,851
Investments in securities	9	4,617,124	3,344,212
Investment property	10	5,353	6,831
Current income tax receivable		29	29
Intangible assets other than goodwill	11	138,981	155,190
Fixed assets	11	473,097	393,728
Other financial assets	12	77,443	46,341
Other non-financial assets	13	71,944	27,060
Non-current assets held for sale and discontinued operations	10	-	6,070
Total assets		10,962,774	10,216,052
EQUITY AND LIABILITIES			
LIABILITIES			
Due to customers	14	9,126,945	8,215,775
Debt securities issued by the Bank		1	1
Other borrowed funds	15	432,431	449,191
Provisions for liabilities			
Provisions for credit related commitments and financial guarantees	16	4,539	43,397
Other provisions	17	2,113	114,538
Total amount of collateral		6,652	157,935
Other financial liabilities	18	195,908	172,151
Other non-financial liabilities	19	81,227	88,823
Deferred tax liabilities	28	67,526	31,475
Total liabilities		9,910,690	9,115,351
EQUITY			
Statutory capital	20	1,048,726	1,048,726
Retained earnings (accumulated deficit)		(4,910,632)	(4,817,972)
Share premium	20	4,600,754	4,600,754
Reserves and other funds		1,332	1,332
Other reserves	21	311,904	267,861
Total equity		1,052,084	1,100,701
Total liabilities and equity		10,962,774	10,216,052

Authorised for issue and signed by

Chairman of the Board
JSC “PRAVEX BANK”
Chief accountant
JSC “PRAVEX BANK”

Gianluca Corrias
Hanna Baranovska

DATE: 15 July 2024

<i>(in thousands of Ukrainian hryvnias)</i>			
Item	Notes	31/12/2023	31/12/2022
1	2	3	4
Interest income, including	23	1,110,360	902,462
Interest income calculated using the effective interest rate method	23	1,110,360	902,462
Fee and commission income	24	151,574	136,830
Fee and commission expenses	24	(66,907)	(57,903)
Other income	26	5,687	12,838
Interest expenses	23	(595,692)	(362,395)
Net gain (loss) from foreign exchange operations		41,100	77,985
Net gain (loss) arising from foreign currency translation		21,877	(2,298)
Net (loss) from investment property revaluation	10	(1,135)	763
Gains (losses) from initial recognition of financial assets at interest rates higher or lower than market rates		(21)	163
Gains (losses) from initial recognition of financial liabilities at interest rates higher or lower than market rates		(570)	(150)
Impairment gains (losses) determined in accordance with IFRS 9	25	124,374	(294,857)
Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income		-	(1,198)
Gain/(loss) from derecognition of financial liabilities measured at amortized cost		12	696
Employee benefits expense		(398,554)	(356,025)
Depreciation costs		(131,924)	(99,590)
Other administrative and operating expenses	27	(347,073)	(358,758)
Profit (loss) before tax		(86,892)	(401,437)
Income from tax refund (expenses for tax payment)	28	(5,998)	(13,769)
Profit (loss)		(92,890)	(415,206)
Profit per share			
Basic profit (loss) per share from continuing operations	29	(0.06)	(0.25)
Total basic profit (loss) per share	29	(0.06)	(0.25)

Authorised for issue and signed by

Chairman of the Board
JSC “PRAVEX BANK”

Gianluca Corrias

Chief accountant
JSC “PRAVEX BANK”

Hanna Baranovska

DATE: 15 July 2024

The accompanying notes on pages 10 – 78 are an integral part of these financial statements

<i>(in thousands of Ukrainian hryvnias)</i>			
Item	Notes	2023	2022
1	2	3	4
Statement of comprehensive income			
Profit (loss)		(92,890)	(415,206)
Other comprehensive income			
Components of other comprehensive income that will not be reclassified to profit or loss before tax			
Other comprehensive income, before tax, gains (losses) from revaluation (revaluation of fixed assets)	21	77,432	46,620
The total amount of other comprehensive income that will not be reclassified to profit or loss before tax		77,432	46,620
Components of other comprehensive income that will be reclassified to profit or loss before tax			
Gains (losses) on financial assets carried at FVTOCI before tax	21	1,774	(879)
The total amount of other comprehensive income that will be reclassified to profit or loss before tax		1,774	(879)
Total other comprehensive income before tax		79,206	45,741
Total comprehensive income before tax		(13,684)	(369,465)
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss			
Income tax related of other comprehensive income gains (losses) from revaluation (revaluation of fixed assets)	21	(34,737)	(8,421)
Total of income tax relating to components of other comprehensive income that will not be reclassified to profit or loss		(34,737)	(8,421)
Income tax relating to components of other comprehensive income that will be reclassified to profit or loss			
Income tax related of gains (losses) on financial assets carried at FVTOCI	21	(443)	(47)
Total of income tax related of gains (losses) on financial assets carried at FVTOCI		(443)	(47)
Total other comprehensive income after tax		44,026	37,273
Total comprehensive income after tax		(48,864)	(377,933)

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<i>(in thousands of Ukrainian hryvnias)</i>			
Item	Notes	31/12/2023	31/12/2022
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received		1,077,828	919,867
Interest expenses paid		(579,992)	(352,867)
Fee income received		151,575	136,830
Fee and commission expenses paid		(66,468)	(50,800)
Results of foreign currency transactions		41,100	77,985
Other income received		1,837	2,493
Personnel costs		(386,748)	(344,680)
Other administrative and operating expenses, paid		(450,602)	(377,287)
Income tax paid		(5,998)	(13,769)
<i>Cash used in operating activities before changes in operating assets and liabilities</i>		(217,468)	(2,228)
Net decrease/(increase) in loans and advances to banks		8,552	(129,850)
Net decrease/(increase) in loans and advances to customers		1,777,220	1,247,883
Net decrease/(increase) in other financial assets		(29,549)	(19,344)
Net decrease/(increase) in other non-financial assets		(38,326)	(9,154)
Net increase/(decrease) in amounts due to customers		738,493	280,302
Net increase/(decrease) in other financial liabilities		10,231	18,047
Net increase/(decrease) in other non-financial liabilities		(8,813)	16,342
Net cash flows from operating activities		2,240,340	1,401,998
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of securities		(745,367,195)	(480,623,254)
Proceeds from the sale of investments in securities		744,185,315	480,436,279
Acquisition of property, plant and equipment		(48,020)	(50,439)
Proceeds from the sale of investment property		141	-
Result from disposal of property, plant and equipment and intangible assets		105	40
Acquisition of intangible assets		(59,729)	(52,868)
Net cash from investing activities		(1,289,383)	(290,242)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowed funds (returned)	15	(42,691)	-
Net cash from financial activities		(42,691)	-

The accompanying notes on pages 10 – 78 are an integral part of these financial statements

<i>(in thousands of Ukrainian hryvnias)</i>			
Item	Notes	31/12/2023	31/12/2022
1	2	3	4
Net increase in cash and cash equivalents		908,266	1,111,756
<i>(in thousands of Ukrainian hryvnias)</i>			
Item	Notes	31/12/2023	31/12/2022
1	2	3	4
Effect of the NBU exchange rate fluctuations on cash and cash equivalents		101,497	359,781
Cash and cash equivalents at the beginning of the period	6	2,409,276	937,739
Cash and cash equivalents at the end of the period	6	3,419,039	2,409,276

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<i>(in thousands of Ukrainian hryvnias)</i>								
Item	Notes	Attributable to shareholders						Total equity attributable to shareholders
		share capital	share premium and other additional capital	reserves and other funds	other reserves	retained earnings (accumulated deficit)	total	
1		3	4	5	6	7	8	9
Balance as at 1 January 2022	20	1,048,726	4,600,754	1,332	230,584	(4,402,783)	1,478,613	1,478,613
Total comprehensive income		-	-	-	37,273	(415,206)	(377,933)	(377,933)
profit (loss) for 2022		-	-	-	-	(415,206)	(415,206)	(415,206)
other comprehensive income		-	-	-	37,273	-	37,273	37,273
Transactions with shareholders	21	-	-	-	4	17	21	21
Closing balance as of 31 December 2022 (balance as at 1 January 2023)	20	1,048,726	4,600,754	1,332	267,861	(4,817,972)	1,100,701	1,100,701

The accompanying notes on pages 10 – 78 are an integral part of these financial statements

<i>(in thousands of Ukrainian hryvnias)</i>								
Item	Notes	Attributable to shareholders						Total equity attributable to shareholders
		share capital	share premium and other additional capital	reserves and other funds	other reserves	retained earnings (accumulated deficit)	total	
1	2	3	4	5	6	7	8	9
Closing balance as of 31 December 2022 (balance as at 1 January 2023)	20	1,048,726	4,600,754	1,332	267,861	(4,817,972)	1,100,701	1,100,701
Total comprehensive income		-	-	-	44,026	(92,890)	(48,864)	(48,864)
profit (loss) for 2023		-	-	-	-	(92,890)	(92,890)	(92,890)
other comprehensive income		-	-	-	44,026	-	44,026	44,026
Transactions with shareholders	21	-	-	-	17	230	247	247
Closing balance as of 31 December 2023 (balance as at 1 January 2024)	20	1,048,726	4,600,754	1,332	311,904	(4,910,632)	1,052,084	1,052,084

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Онлайн сервіс створення та перевірки кваліфікованого та удосконаленого електронного підпису

ПРОТОКОЛ

створення та перевірки кваліфікованого та удосконаленого електронного підпису

Дата та час: 17:07:18 15.07.2024

Назва файлу з підписом: Financial Statements&Management report _Pravex_2023 eng.pdf.p7s.p7s.p7s
Розмір файлу з підписом: 2.1 МБ

Назва файлу без підпису: Financial Statements&Management report _Pravex_2023 eng.pdf
Розмір файлу без підпису: 2.1 МБ

Результат перевірки підпису: Підпис створено та перевірено успішно. Цілісність даних підтверджено

Підписувач - 1: Барановська Ганна Станіславівна

П.І.Б.: Барановська Ганна Станіславівна

Країна: Україна

РНОКПП: 2718811440

Організація (установа): АТ "ПРАВЕКС БАНК"

Код ЄДРПОУ: 14360920

Посада: Головний бухгалтер-директор департаменту бух.обл. гол. фін. упр.

Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 10:40:19 15.07.2024

Сертифікат виданий: АЦСК Національного банку України

Серійний номер: 36186A0FEAAD76B2040000005A1B000028690000

Тип носія особистого ключа: Незахищений

Алгоритм підпису: ДСТУ 4145

Тип підпису: Удосконалений

Тип контейнера: Підпис та дані в одному файлі (CADES enveloped)

Формат підпису: З повними даними для перевірки (CADES-X Long)

Сертифікат: Кваліфікований

Підписувач - 2: Корріас Джанлука

П.І.Б.: Корріас Джанлука

Країна: Україна

РНОКПП: 2227017738

Організація (установа): АТ "ПРАВЕКС БАНК"

Код ЄДРПОУ: 14360920

Посада: Голова Правління

Час підпису (підтверджено кваліфікованою позначкою часу для даних від Надавача): 16:33:27 15.07.2024

Сертифікат виданий: КНЕДП АТ "ПРАВЕКС БАНК"

Серійний номер: 4752DF1A59DB5DF004000000463F000024DF0000

Тип носія особистого ключа: ЗНКІ е.ключ ІІТ Алмаз-1К

Серійний номер носія особистого ключа: Не визначено

Алгоритм підпису: ДСТУ 4145

Тип підпису: Кваліфікований

Тип контейнера: Підпис та дані в одному файлі (CADES enveloped)

Формат підпису: Базовий (CADES-BES)

Сертифікат: Кваліфікований

Електронна печатка - 1: АТ "ПРАВЕКС БАНК"

П.І.Б.:

Країна: Україна

Організація (установа): АТ "ПРАВЕКС БАНК"

Код ЄДРПОУ: 14360920

Час підпису (підтверджено кваліфікованою позначкою часу для даних від Надавача): 16:34:30 15.07.2024

Сертифікат виданий: КНЕДП АТ "ПРАВЕКС БАНК"

Серійний номер: 4752DF1A59DB5DF0040000004C41000005E00000

Тип носія особистого ключа: Незахищений

Алгоритм підпису: ДСТУ 4145

Тип підпису: Удосконалений

Тип контейнера: Підпис та дані в одному файлі (CADES enveloped)

Формат підпису: Базовий (CAdES-BES)
Сертифікат: Кваліфікований

Версія від: 2024.07.12 13:00

Note 1. Information about the Bank

Full name of the Bank	Joint-Stock Company “PRAVEX BANK”
Short name of the Bank	JSC “PRAVEX BANK”
Location	9/2 Klovskyi Uzviz, Kyiv 01021, Ukraine
Country of registration	Ukraine
Form of incorporation	Private Joint-Stock Company
Name and location of the parent company	Intesa Sanpaolo S.p.A. 10121 Italy, Turin, Piazza San Carlo, 156
Management shareholding	0%
Foreign investor shareholding	INTESA SANPAOLO S.p.A. (Italy) owns 100% of the Bank’s share capital
Reporting period	From 1 January to 31 December 2023
Reporting currency and measurement unit	UAH ‘000

JSC “PRAVEX BANK” (hereinafter – the Bank) is a universal financial organization that provides a full range of banking services throughout the territory of Ukraine. Thanks to a well-developed network, JSC “PRAVEX BANK” is represented in all corners of our country. In combination with an impeccable 29-year history of successful activity, this allowed the Bank to become one of the most famous banking brands in Ukraine. JSC “PRAVEX BANK” is part of the Intesa Sanpaolo banking group, which is one of the leading banking groups in the Eurozone and is a leader in all areas of Italian business.

Note 2. Economic and operational environment of the Bank

The war waged by Russia on the territory of Ukraine has been going on for almost the second year, and in 2023 it turned from active hostilities to a positional struggle of attrition. So, despite fierce fighting, the front line almost did not move. In the summer and fall of 2023, Russian air attacks focused on export infrastructure, primarily grain transshipment facilities, and in winter on energy infrastructure. At the same time, the security situation in the Middle East worsened, which forced partner countries to strengthen their own defense capabilities and find additional funds to support all partners and allies. The aggravation of these conflicts directly affects Ukraine, reducing the amount of financial and military aid.

Despite the protracted war, business and the population adapt to the conditions of war. Consumer demand is reviving, lending is recovering, the stable situation in the energy sector in turn supports economic activity, and this year's high harvests made a key contribution to faster GDP growth. This became the basis for improving the estimate of real GDP growth in general for 2023 - up to 5.7%.

Despite the strengthening of its own resource base, significant budget expenditures of Ukraine led to a large-scale expansion of the consolidated budget deficit and a negative cyclically adjusted primary balance in the IV quarter of 2023. Security and defense remained the priority areas of budget funding. At the same time, the potential for debt involvement in the domestic market is preserved if necessary.

The rapid slowdown of inflation in 2023 to the level of 5.1% was ensured by the NBU's measures to maintain exchange rate stability, which contributed to the improvement of expectations, a moratorium on the increase of certain tariffs for housing and communal services, good harvests and a sufficient supply of food products, as well as a decrease in world prices for energy carriers

At the same time, steady progress in reducing inflation, the accumulation of a significant level of international reserves, and the increase in the attractiveness of hryvnia assets enabled the NBU to switch to a regime of managed exchange rate flexibility starting in October 2023.

Under martial law, the banking system remained stable and liquid. Banks continue to operate smoothly, maintain liquidity, have sufficient capital reserves and continue moderate lending. The work of bank branches in liberated and free regions has resumed almost in full.

Depositors' trust in banks has been preserved: the growth of clients' funds in banks continues. Funding grew primarily at the expense of public funds.

In order to increase the competition of banks for depositors and further increase the rates for hryvnia deposits, increase the volume of term hryvnia borrowings by banks, reduce the risks of exchange rate instability, as well as contain inflation, the NBU significantly increased the obligatory provisioning standards from January 2023.

After a long pause, hryvnia lending revived. The improvement of the financial condition of companies and the revival of business activity increased the demand and supply of loans. During the war, government programs play a key role in supporting lending. At the same time, in the retail segment, card lending and mortgages under the "eOselya" program have become key credit products.

During the year, the NBU lowered the discount rate in several stages from 25% to 15%, which was due to the further slowdown of inflation and the ability of the NBU to ensure exchange rate stability, while maintaining a sufficient level of attractiveness of hryvnia savings.

Since the beginning of 2023, international rating agencies have confirmed and revised the long-term default rating of the issuer of Ukraine in foreign currency in connection with the war with Russia at the following levels:

- Fitch Ratings has confirmed the long-term default rating of the issuer of Ukraine in foreign currency at the "CC" level. Referring to the further restructuring of commercial debt in foreign currency, before the end of the two-year break in Eurobond payments on 1 September 2024;
- Standard & Poor's lowered the long-term default rating of the issuer of Ukraine in foreign currency from the level of "CCC+" to "CCC". Referring to the fact that Ukraine's debt servicing capacity remains vulnerable and depends on favorable external conditions to fulfill its financial obligations.

As a result of military actions and the occupation of a certain territory of Ukraine, access to a number of branches of the Bank is limited. The Bank conducted an analysis of losses and damages based on available information as at 31 December 2023. Based on the results of this analysis, in 2023 the Bank formed an allowance for cash balances in the Bank's branches of UAH 1,346 thousand, and also recognized an impairment of the Bank's buildings of UAH 2,605 thousand (Note 11). During 2023, the Bank incurred other additional costs related to military operations on the territory of Ukraine, in particular:

- expenses for ensuring operational activity in emergency conditions - The Bank purchased means of communication, computer equipment and means of information protection in the amount of UAH 1,451 thousand, software licenses in the amount of UAH 2,570 thousand (Note 11).

Note 3. Basis for preparation

These financial statements were prepared in accordance with the International Financial Reporting Standards (hereinafter - "IFRS") and requirements of the Law of Ukraine "On Accounting and Financial Statements in Ukraine" №996-XIV of June 16, 1999 on the preparation of financial statements (with amendments) (hereinafter referred to as the Law on Financial Statements).

These financial statements have been prepared under the historical cost convention, except for the initial recognition of financial instruments based on fair value, the subsequent appraisal of buildings at revalued cost and related financial instruments, financial assets at fair value through other comprehensive income at fair value.

Estimations uncertainty

The preparation of financial statements in accordance with IFRS requires the management to formulate judgements, estimates and assumptions that affect the application of accounting policies. Actual results may differ from those estimates.

The estimates and related assumptions are reviewed on an ongoing basis. Changes in estimates are recognised in the period in which estimates revised and in all subsequent periods. Further information on estimates is disclosed in Note 4.1 Critical Accounting Judgements and Estimates

Going concern

These financial statements have been prepared on the assumption that the Bank will continue to operate for the foreseeable future. In preparing these financial statements, the Bank conducted an analysis of its ability to continue its operations, taking into account the circumstances caused by the Russian Federation's military invasion of Ukraine (Note 2) and its impact on the Bank's financial position and results of operations.

Despite the intensification of the negative consequences of ongoing hostilities, the risk of further terrorist attacks against critical infrastructure, blocking seaports, restricting the markets for agricultural products from the EU, reduction of production, the decline in real incomes of the population under the pressure of inflation and the subsequent devaluation of hryvnia, and the low level of labour market recovery, which restrain and complicate economic activity and the recovery of the country as a whole, the Bank plans to actively continue to operate and sustain its activities with an emphasis on maintaining a high level of liquidity and solvency.

The Bank is plans to work in compliance with all regulatory requirements and within the current legislative framework.

The Bank analysed the further impact of the military aggression against Ukraine on its financial position and future financial results. The Bank's financial plan (forecast) is based on the following assumptions:

- macroeconomic forecast of the Bank, compiled considering the forecasts of the National Bank of Ukraine and those available in international information and analytical systems. The Bank expects further devaluation of the hryvnia against major currencies (up to 10%), a moderate increase in inflation (average for the year to 7.5%), a slight percentage of GDP growth and a decrease in the key policy rate (by 2% during the year 2024);
- the funds of the Bank's customers (including current accounts) will grow on average in amounts sufficient for the Bank to provide limited financing of the Bank's loan portfolio, investments in monetary instruments of the NBU and maintain an acceptable level of liquidity;
- the Bank will continue to focus on attracting customer funds with a focus on maturity, which will diversify the deposit portfolio;
- the Bank expects a revision of the limits on securities, which will allow placing free liquidity, both in hryvnia and in foreign currency, in more profitable financial instruments and, accordingly, improve the operational efficiency of the Bank as a whole;
- the Bank will carry out restrained lending to individuals with a focus on the client profile, profitability and direct impact on regulatory capital through risky assets;
- for corporate clients – the Bank will provide restrained lending to critical industries, enterprises of the agro-industrial complex in safe regions, including under government programs, mostly within the existing credit limits with a focus on the client's profile, profitability and direct impact on regulatory capital through risky assets;
- the Bank's Management Board will continue to implement measures to optimize operating costs, which will partially offset the negative impact of macroeconomic factors on their growth. At the same time, there may be additional costs related to the resuming of the Bank's branch network operations, an increase in the cost of goods and services due to the devaluation of the national currency, and stronger inflation expectations;
- the Bank's Management Board will work towards improving the Bank's operational efficiency through the implementation of measures to optimize administrative costs, increase the profitability of the business through the revision of the minimum margin for products and focus on the transactional business;
- the Bank will take all additional measures to increase its regulatory capital, mainly through capital contributions, to ensure the operation and compliance with the requirements of current legislation;
- the Bank expects to receive additional capital contributions over the next 12 months, as provided for in the financial plan (budget) for 2024 and the capitalization program. The capital requirement for the period 2025-2026 will be determined as part of the updated business plan.

The Bank received a letter of guarantee from the parent bank with the parent bank's commitment to increase the Bank's capital and bring it in compliance with the increased capital requirements set as a result of the Bank's resilience assessment by the NBU. In addition, the parent bank has provided the parent support letter, which indicates that the parent company will provide the necessary support in accordance with the conditions and in accordance with the financial plan (budget) for 2024 in the amount of 26 mln EUR (UAH 1,104,927 thousand at exchange rate of 42,4972 UAH/1EUR as at 30 April 2024) within a period of at least twelve months from the date of approval of the Bank's financial statements.

On 28 March 2024, the General Shareholders' Meeting has made a decision to increase the Bank's share capital through additional issuance of the ordinary shares. The decision was duly published on the Bank's website.

As disclosed in Note 37 to these financial statements, on 30 April 2024 the Bank received full payment for shares from the shareholder.

In 2023, the National Bank of Ukraine conducted resilience assessment of Ukrainian banks, including the Bank, as at 1 April 2023. The resilience assessment was done in three stages. During stage one and two, namely the assets quality review and the acceptability of collateral for credit transactions and the verification of the value of property received by the Bank as collateral, the Bank did not receive any comments regarding compliance with the requirements of the NBU. The third stage included modelling the impact of the stress scenario on the Bank's capital in the forecast period of three years. According to the results of the third stage of the resilience assessment, the Bank was asked to comply with increased capital requirements, which will come into force in September 2024 and March 2026. Accordingly, the Bank had to develop a capitalisation program for the period 2024-2026 and submit it to the NBU for approval by 19 February 2024. As of the date of approval of these financial statements, the capitalisation program is being prepared by the Bank.

The Bank's ability to meet prudential ratios requirements depends on the amount and date of capital contributions from the parent bank, considering the timing set force by the NBU for increased capital requirements.

There is a material uncertainty related to the Bank's ability to implement the above measures and the currently unpredictable impact of ongoing hostilities in Ukraine on the assumptions applied by the management. This may cast significant doubt on the Bank's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Note 4. Material accounting policy information

4.1. Significant accounting judgments and estimates

The preparation of financial statements requires the application of estimates and assumptions that may have a significant impact on the amounts presented in the statement of financial position and the statement of profit or loss and other comprehensive income, as well as on the amounts of assets and liabilities recorded in the financial statements. Estimates are based on available information and subjective judgments, often based on past experience, which are used to make reasonable assumptions that will be made in assessing operating results. Given their nature, the estimates and assumptions used may change from year to year and, therefore, it cannot be excluded that the current amounts presented in the financial statements may differ materially in future financial years as a result of changes in subjective measurements made. The main cases in respect of which the Bank's management must make subjective assessments include:

- estimation of expected losses on loans and other financial assets;
- estimates and assumptions about the possibility of realizable deferred tax assets.

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

- financial assets that are debt instruments;
- accounts receivable;
- issued financial guarantee agreements;
- loan commitments issued.

The Bank recognises provisions for expected credit losses in an amount equal to the lifetime expected credit losses, except for the following instruments for which the amount of the provision is equal to 12-month expected credit losses:

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

If the actual repayment amounts were less than management's estimates, the Bank would have to account for additional impairment costs.

Changes in estimates of the probability of repayment of loans may affect the amount of impairment losses recognised. For example, if the net present value of assessed cash flows differs by plus/minus one percent, the impairment of loans as at 31 December 2023 would be UAH 20,264 thousand. UAH less/more (2022: UAH 36,949 thousand).

4.23. Changes in accounting policies

The Bank has applied for the first time some amendments to the standards that became effective for annual periods beginning on or after January 1, 2023. The Bank has not early applied any standards, clarifications or amendments that have been issued but have not entered into force.

Amendments to IAS 1 Presentation of Financial Statements: Starting with the 2023 financial statements, the Bank discloses only material information about accounting policies.

IFRS 17 Insurance Contracts

IFRS 17 is a new comprehensive standard for insurance contracts that addresses recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts and applies to all types of insurance contracts (e.g. life and other insurance, direct insurance and reinsurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation conditions. There are a few exceptions to the scope.

Except for the exceptions set out below, the Bank has not identified contracts that result in the transfer of material insurance risk and therefore concluded that IFRS 17 has no effect on the financial statements for the year ended 31 December 2023.

IFRS 17 excludes credit card contracts (and similar agreements specifying credit or payment arrangements) that meet the definition of an insurance contract if, and only if, an entity does not take into account an assessment of the insurance risk associated with a particular customer when pricing a contract with that customer. The Bank determined that the insurance risk associated with an individual customer was not assessed in setting the price of credit card contracts because these products are offered at the same price to all applicants and are therefore exempt from IFRS 17. The Bank decided not to apply IFRS 17 as permitted for financial guarantee contracts because the Bank did not expressly state that it considered such contracts to be insurance contracts. The Bank has chosen to apply IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments to financial guarantee contracts. The Bank does not apply IFRS 17 Insurance Contracts to non-financial guarantee contracts, as it has a contractual right to reimbursement by the client of the amounts paid by the bank (right of recourse) and assesses the insurance risk as immaterial for such contracts.

Changes to the following standards did not have a material effect on the Bank's financial statements:

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 12 Income Taxes

Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar II Model Rules

4.3. Financial assets and financial liabilities

4.3.1. Classification and measurement of financial assets and financial liabilities

The Bank recognises financial assets and liabilities in its separate statement of financial position when it becomes a party to contractual obligations in respect of the instrument. Standard acquisitions and sales of financial assets and liabilities are recognised using settlement date accounting.

Financial assets

At initial recognition, a financial asset is classified as measured at amortised cost (AC) or at fair value through other comprehensive income (FVOCI).

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost.

4.3.2. Provision for expected credit losses

The Bank recognises a provision for expected credit losses on all debt financial assets carried at amortised cost or fair value through other comprehensive income, as well as loan commitments and financial guarantee agreements. Impairment is not recognised for equity instruments.

The model for estimating expected credit losses is described in Note 32.

Determining a Significant Increase in Credit Risk

The Bank believes that a significant increase in credit risk occurs no later than the moment when the number of days of overdue debt on an asset exceeds 30 days. The Bank recognises the number of days overdue by counting the number of days starting from the earliest day as of which payment has not been received in full.

Definition of Default

A financial asset is classified by the Bank as a financial asset that has been in default in the following cases:

- it is unlikely that the borrower's loan obligations to the Bank will be repaid in full without the Bank taking such actions as the sale of collateral (if any); or
- the borrower's debt under any of the Bank's significant loan obligations is overdue for more than 90 days. Overdrafts are considered to be overdue debts on the next day when the client violated the recommended limit or was recommended for him, less than the amount of the current outstanding debt.

When assessing the occurrence of a default event on the borrower's obligations, the Bank takes into account the following indicators:

- qualitative: for example, violation of the restrictive terms of the contract (covenants);
- quantitative: for example, the status of overdue debts and non-payment of another obligation of the same issuer of the Bank; and
- based on data independently developed within the Bank and obtained from external sources.

The inputs to assessing the occurrence of a default event on a financial instrument and their significance may change over time to reflect changes in circumstances.

Creating a Time Structure of the Probability of Default

The credit risk stages are used as initial inputs in creating a time structure of the probability of default for positions exposed to credit risk. The Bank collects information on debt service and default rates for positions subject to credit risk, analyzed depending on the jurisdiction, type of product and borrower, and on the level of

credit risk. The Bank uses statistical models to analyze the collected data and obtain estimates of the probability of default for the remaining period for positions exposed to credit risk and expect them to change over time.

This analysis includes the identification and calibration of the relationship between changes in the probability of default and changes in macroeconomic factors, as well as a detailed analysis of the impact of some other factors (for example, the practice of revising the terms of credit agreements) on the risk of default. For most positions exposed to credit risk, GDP growth is the key macroeconomic indicator.

Modification of the terms of financial assets and financial liabilities

If the terms of a financial asset change, the Bank assesses whether the cash flows for that modified asset differ significantly. If the cash flows differ significantly (a significant modification of terms), the rights to the contractual cash flows of the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. Changes in the amount of cash flows of existing financial assets or financial liabilities are not considered to be modifications to terms if they are a consequence of the current terms of the contract, for example, changes in interest rates.

In addition, the Bank concludes that the modification of conditions is significant based on the following qualitative factors:

change in the currency of a financial asset;

change in the type of collateral or other means of improving the quality of the asset;

a change in the conditions of a financial asset, which leads to non-compliance with the SPPI test criterion.

If the cash flows of a modified asset measured at amortised cost do not differ significantly, the modification of conditions does not result in the derecognition of the financial asset.

4.4. Cash and cash equivalents

According to the article "Cash and their equivalents", the Bank recognizes cash (cash on hand), funds in the National Bank of Ukraine, correspondent accounts and "overnight" deposits in banks, which can be converted into a known amount of cash on first demand and which carry a low risk cost changes. For the purposes of the Statement of Financial Position and the calculation of the Statement of Cash Flows, the funds of mandatory reserves or other funds and account balances are not included in the calculation of the article "Cash and their equivalents", if there are restrictions on their use.

4.5. Property, plant and equipment

Property, plant and equipment are initially recognised at cost, which consists of the actual cost of acquiring and bringing them into a usable condition.

After the initial recognition of fixed assets as assets, except for the Bank's real estate, their further accounting is carried out according to the method of initial (historical) cost.

Further accounting of the Bank's real estate objects is carried out according to the method of revalued value.

The Bank has determined the following useful lives for certain types of fixed assets:

Description	Useful life, years
Buildings and constructions	33.33
Machinery and equipment	4-15
Vehicles	10
Fixtures and fittings (furniture)	8.33
Other PP&E	12

Property, plant and equipment is depreciated on a straight-line basis.

4.6. Leases

The Bank applies the short-term lease recognition exemption for the lease agreements:

- to short-term leases (that is, leases with a lease term of no more than 12 months from the commencement date and that do not contain a purchase option).
- the underlying asset has an equivalent value of less than €5,000 (the NBU exchange rate at date of recognition);
- lease agreements without a lease term;
- free of charge;
- unidentifiable.

The decision to apply the exemption in terms of low-value assets is made to each contract separately.

4.7. Investment property

After the initial recognition of an investment property, the Bank further measures it at fair value, changes in which are recognised in profit or loss.

4.8. Income tax

Income tax expenses (income) consist of current and deferred taxes.

Such income tax expense (income) is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity. In such cases, they are recognised in other comprehensive income or directly in equity.

Deferred tax is calculated at the tax rates that will be in effect during the period in which the asset will be sold or used and the liability will be settled.

4.9. Statutory capital and share premium

Equity contributions are recognised at historical cost. Equity contributions received before 31 December 2000 are recognised at indexed cost in accordance with IAS 29 Financial Reporting in Hyperinflationary Conditions.

4.10. Commission income and expenses

Commissions that are not included in the cost of the loan (for example, fees for cash and settlement services, etc.) are recognized as commission income.

4.11. Functional currency

Items included in the Bank's separate financial statements are denominated in a currency that best corresponds to the economic substance of events and conditions relating to the Bank ("functional currency"). The functional currency and the currency of presentation of these separate financial statements is the hryvnia. All values are rounded to the nearest thousand dollars, unless otherwise stated.

Foreign Exchange Transactions

Assets and liabilities, income and expenses from transactions with foreign currencies are recorded in hryvnia equivalent at the official exchange rates of the NBU for foreign currencies and investment metals as of the date of reflection in accounting.

Accounting of income and expenses in foreign currency is carried out by converting into the currency of Ukraine at the rate of the National Bank of Ukraine on the date of the transaction under which income is received or expenses are incurred. In case of accrual of income or expenses in foreign currency, accounting is carried out at the exchange rate on the date of accrual.

In the Statement of Financial Position, foreign currency assets and liabilities are recorded at the official exchange rate set by the NBU as of the reporting date. As of 31 December 2023, the NBU has set the following exchange rates:

Currency	31 December 2023	31 December 2022
USD	37.9824	36.5686
EUR	42.2079	38.951

Note 5. New and revised standards

The following are the new standards/amendments and clarifications that have been issued but have not yet entered into force as of the date of publication of the Bank's financial statements. The Bank plans to apply these new standards, amendments and clarifications, if applicable, after their entry into force and believes that the changes to the standards will not have a material impact on the Bank's financial statements.

Amendments to IAS 1 – Presentation of Financial Statements

Amendments to IAS 1 Presentation of Financial Statements – Non-Current Liabilities with Special Conditions

Amendments to IFRS 16 Leases

Amendments to IFRS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

Amendments to IAS 21 Effects of Changes in Foreign Exchange Rates – Lack of Convertibility.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Cash	130,181	149,999
2	Balances with the National Bank of Ukraine	1,568,604	287,829
3	Correspondent accounts with banks:	1,721,107	1,971,507
3.1	Ukraine	3,590	7,039
3.2	other countries	1,717,517	1,964,468
4	Provisions for cash on correspondent accounts with other banks	(853)	(59)
5	Total cash and cash equivalents	3,419,039	2,409,276

Line 5 in Table 6.1 corresponds to account “Cash and cash equivalents” in the statement of financial position.

As of 31 December 2023, the Bank placed cash on a correspondent account with JPMORGAN CHASE BANK, N.A. in the amount of UAH 1,017,079 thousand (2022: JPMORGAN CHASE BANK, N.A. in the amount of UAH 1,154,157 thousand), which represents a significant concentration.

As of 31 December 2023, and 2022, balances on correspondent accounts were not overdue and not impaired.

Table 6.2. Movements in provisions for cash on correspondent accounts with other banks as of 31 December 2023 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Provisions for cash on correspondent accounts with other banks	Total
1	2	3	4
1	Balance at the beginning of the year	(58)	(58)
2	(Increase) in provision for impairment during the year	(918)	(918)
3	Foreign exchange differences	123	123
4	Balance at the end of the period	(853)	(853)

Table 6.3. Movements in provisions for cash on correspondent accounts with other banks as of 31 December 2022 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Provisions for cash on correspondent accounts with other banks	Total
1	2	3	4
1	Balance at the beginning of the year	(39)	(39)
2	Decrease in provision for impairment during the year	19	19
3	Foreign exchange differences	(39)	(39)
4	Balance at the end of the period	(59)	(59)

Table 6.4. Credit quality analysis of cash and cash equivalents as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Balances on correspondent accounts with other banks by impairment stage	Cash	Balances with the National Bank of Ukraine	Total
1	2	3	4	5	6
1	Impairment Stage 1:	1,721,107	130,181	1,568,604	3,419,892
1.1	Not overdue	1,721,107	130,181	1,568,604	3,419,892
2	Provision for cash impairment	(853)	-	-	(853)
3	Total cash and cash equivalents	1,720,254	130,181	1,568,604	3,419,039

Table 6.5. Credit quality analysis of cash and cash equivalents as of 31 December 2022

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Balances on correspondent accounts with other banks by impairment stage	Cash	Balances with the National Bank of Ukraine	Total
1	2	3	4	5	6
1	Impairment Stage 1:	1,971,507	149,999	287,829	2,409,335
1.1	Not overdue	1,971,507	149,999	287,829	2,409,335
2	Provision for cash impairment	(59)	-	-	(59)
3	Total cash and cash equivalents	1,971,448	149,999	287,829	2,409,276

Note 7. Loans and advances to banks**Table 7.1. Loans and advances to banks**

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Deposits in other banks, which are accounted for at amortized cost:	133,375	132,465
1.1	Short-term deposits	133,375	132,465
2	Provision for impairment of amounts due from banks	(1)	(1)
3	Total amounts due from other banks less provisions	133,374	132,464

Line 3 in Table 7.1 corresponds to account “Loans and advances to banks” in the statement of financial position.

As of December 31, 2023, a time deposit was placed with Intesa Sanpaolo Bank in the amount UAH 133,375 thousand (2022: a time deposit was placed with Intesa Sanpaolo Bank in the amount UAH 132,465 thousand), which represents a significant concentration.

Table 7.2. Analysis of the book value of loans and advances to banks for 2023

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Stage 1	Total
1	2	3	4
1	Balance at the beginning of the year	132,465	132,465
2	Increase in balance during the year	1,583,057	1,583,057
2.1	new contracts	1,567,699	1,567,699
2.2	foreign exchange differences	15,358	15,358

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Stage 1	Total
1	2	3	4
3	Decrease in balance during the year	(1,582,147)	(1,582,147)
3.1	debt repayment	(127,745)	(127,745)
3.2	commitments that have expired	(1,449,513)	(1,449,513)
3.3	foreign exchange differences	(4,889)	(4,889)
4	Balance at the end of the year	133,375	133,375

Table 7.3. Analysis of provision for loans and advances to banks for 2023

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Stage 1	Total
1	2	3	4
1	Balance at the beginning of the year	(1)	(1)
2	Increase in provision for impairment during the year	(17)	(17)
2.1	provision for new commitments	(17)	(17)
3	Decrease in provision for impairment during the year	17	17
3.1	decrease of provision from decrease in commitments amounts	1	1
3.2	decrease of the provision from the closing of loans	16	16
4	Balance at the end of the period	(1)	(1)

Table 7.4. Analysis of the book value of loans and advances to banks for 2022

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Stage 1	Total
1	2	3	4
1	Balance at the beginning of the year	-	-
2	Increase in balance during the year	292,194	292,194
2.1	new contracts	288,025	288,025
2.2	foreign exchange differences	4,169	4,169
3	Decrease in balance during the year	(159,729)	(159,729)
3.1	commitments that have expired	(159,729)	(159,729)
4	Balance at the end of the year	132,465	132,465

Table 7.5. Analysis of provision for loans and advances to banks for 2022

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Stage 1	Total
1	2	3	4
1	Balance at the beginning of the year	-	-
2	Increase in provision for impairment during the year	(6)	(6)
2.1	provision for new commitments	(6)	(6)
3	Decrease in provision for impairment during the year	5	5
3.1	Decrease of loan closing provision	5	5
4	Balance at the end of the period	(1)	(1)

Note 8. Loans and advances to customers
Table 8.1. Loans and advances to customers

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Corporate loans	1,180,007	2,595,787
2	Retail mortgage loans	714,488	882,366
3	Loans to individual entrepreneurs	429	388
4	Retail consumer loans	390,615	544,395

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
5	Other retail loans	14	11
6	Provision for impairment of loans	(259,163)	(328,096)
7	Total loans less provisions	2,026,390	3,694,851

Line 7 in Table 8.1 corresponds to account “Loans and advances to customers” in the statement of financial position.

Loans, the terms of which were renegotiated.

Starting from 24 February 2022, to 31 December 2023, the provision increased due to the deterioration of the quality of the loan portfolio and the blocking of lost or damaged collateral due to the impact of the full-scale invasion of Ukraine. The amount of decrease in the reserve for such loans amounted to UAH 63,805 thousand (due to the transition to Stage 2 – UAH 42,836 thousand, for loans that were transferred to Stage 3 – UAH 18,104 thousand, on contracts for which collateral was blocked – UAH 2,865 thousand).

Since the beginning of the full-scale invasion of Ukraine at the request of customers during 2022-2023, the Bank has been restructuring debt for loans and accrued interest. As of 31 December 2023, the carrying value of loan agreements, the terms of which were renegotiated in 2022, amounts to UAH 187,873 thousand (of which: UAH 116,275 thousand for loans to legal entities, UAH 71,598 thousand for loans to individuals). The amount of the decrease in the provision for 2023 under such renegotiated contracts amounted to UAH 40,689 thousand (of which: decrease in loans to legal entities – UAH 43,271 thousand, increase in loans to individuals – UAH 2,582 thousand). As of 31 December 2023, the carrying value of loan agreements, the terms of which were renegotiated in 2023, is UAH 50,419 thousand (of which: UAH 40,065 thousand for loans to legal entities, UAH 10,354 thousand for loans to individuals). The amount of increase in the provision for 2023 under such renegotiated contracts amounted to UAH 5,543 thousand (of which: increase in loans to legal entities – UAH 5,639 thousand, decrease in loans to individuals – UAH 96 thousand).

Concentration of loans to customers

The Bank believes that potential concentration risk per customer may arise when at least 10% of net loan portfolio is attributable to a limited number of borrowers. As of 31 December 2023, financing provided to two clients is UAH 312,078 thousand, or 15% value of the net loan portfolio (2022: two clients are UAH 463,580 thousand, or 13%)

Table 8.2. Analysis of the book value of loans and advances to customers for 2023

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Balance at the beginning of the year	2,545,496	1,076,693	400,758	4,022,947
2	Increase in balance during the year	2,419,465	619,150	55,643	3,094,258
2.1	Increase in balance due to new loans	348,870	127,179	3	476,052
2.2	Increase in balance of the current portfolio	1,804,161	448,404	15,163	2,267,728
2.3	Transition between stages	226,127	25,639	29,408	281,174
2.4	Foreign exchange differences	40,307	17,928	11,069	69,304
3	Decrease in balance during the year	(3,205,349)	(1,540,028)	(86,275)	(4,831,652)
3.1	Decrease in balance due to full repayment of loans	(2,030,443)	(1,047,657)	(8,922)	(3,087,022)
3.2	Decrease in the balance of the current portfolio	(1,129,729)	(251,527)	(41,760)	(1,423,016)
3.3	Write-offs against the provision	-	-	(4,608)	(4,608)
3.4	Transition between stages	(22,896)	(228,746)	(29,532)	(281,174)
3.5	Foreign exchange differences	(22,281)	(12,098)	(1,453)	(35,832)

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
4	Balance at the end of the year	1,759,612	155,815	370,126	2,285,553

Table 8.3. Analysis of provisions for loans and advances to customers for 2023

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Balance at the beginning of the year	36,010	67,162	224,924	328,096
2	Increase in the amount of loan provisions for the year	25,965	76,948	94,138	197,051
2.1	Provision for new loans	3,082	6,097	3	9,182
2.2	Provision for increase in carrying amount	8,922	19,697	813	29,432
2.3	Increasing the provision from the transition between stages	642	4,273	9,678	14,593
2.4	Increasing the reserve from the deterioration of the quality of the portfolio	10,953	42,708	43,151	96,812
2.5	Transition between stages	2,006	2,893	16,919	21,818
2.6	Interest accrued on impaired loans	-	-	18,286	18,286
2.7	Foreign exchange differences	360	1,280	5,288	6,928
3	Decrease in the amount of loan provisions for the period	(36,246)	(135,632)	(94,106)	(265,984)
3.1	Decrease of loan closing provision	(9,998)	(27,102)	(7,831)	(44,931)
3.2	Decrease in provision by decrease in the carrying value	(15,258)	(65,889)	(33,550)	(114,697)
3.3	Decreasing the provision from the transition between stages	(205)	(15,247)	(20,100)	(35,552)
3.4	Decreasing the provision from the improvement of the quality of the portfolio	(7,963)	(8,434)	(17,814)	(34,211)
3.5	Recovery of loans written off against provisions in prior periods	-	-	(4,635)	(4,635)
3.6	Transition between stages	(2,660)	(18,086)	(1,072)	(21,818)
3.7	Interest accrued on impaired loans	-	-	(6,976)	(6,976)
3.8	Foreign exchange differences	(162)	(874)	(2,128)	(3,164)
4	Balance at the end of the period	25,729	8,478	224,956	259,163

For 12 months of 2023, loans and advances to customers that the Bank wrote off against provisions in previous years were reimbursed in the total amount of UAH 4,538 thousand (12 months of 2022: UAH 3,852 thousand). The amount of the recovery was recognized directly in profit or loss as part of “Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9”. See Note 25.

Table 8.4. Analysis of the carrying value of loans and advances to customers for 2022

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Balance at the beginning of the year	4,779,217	24,772	13,338	4,817,327
2	Increase in balance during the year	2,423,634	1,726,115	491,357	4,641,106
2.1	Increase in balance due to new loans	858,429	69,899	-	928,328
2.2	Increase in balance of the current portfolio	1,019,162	62,076	6,724	1,087,962
2.3	Amount of transition from Stage 1	-	1,542,592	1,053	1,543,645
2.4	Amount of transition from Stage 2	111,044	-	391,814	502,858
2.5	Amount of transition from Stage 3	2,292	-	90,581	92,873
2.6	Foreign exchange differences	432,707	51,548	1,185	485,440
3	Decrease in balance during the year	(4,657,355)	(674,194)	(103,937)	(5,435,486)
3.1	Increase in balance due to full repayment of loans	(1,085,818)	(46,826)	(1,295)	(1,133 939)
3.2	Decrease in the balance of the current portfolio	(1,974,090)	(121,527)	(8,879)	(2,104 496)
3.3	Write-offs against the provision	-	-	(796)	(796)
3.4	Amount of transition from Stage 1	-	(111,044)	(2,292)	(113,336)
3.5	Amount of transition from Stage 2	(1,542,592)	-	-	(1,542,592)
3.6	Amount of transition from Stage 3	(1,053)	(391,813)	(90,581)	(483,447)
3.7	Foreign exchange differences	(53,802)	(2,984)	(94)	(56,880)
4	Balance at the end of the year	2,545,496	1,076,693	400,758	4,022,947

Table 8.5. Analysis of provisions for loans and advances to customers for 2022

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Balance at the beginning of the year	32,277	4,972	11,806	49,055
2	Increase in the amount of loan provisions for the year	41,228	240,769	375,007	657,004
2.1	Provision for new loans	2,564	5,962	-	8,526
2.2	Provision for increase in carrying amount	10,423	18,234	4,743	33,400
2.3	Increasing the provision from the transition between stages	4,896,	121,878	199,368	326,142

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
2.4	Increasing the provision from the deterioration of the quality of the portfolio	18,530	79 009	2,653	100,192
2.5	Amount of transition from Stage 1	-	9,602	46	9,648
2.6	Amount of transition from Stage 2	1,480	-	81,737	83,217
2.7	Amount of transition from Stage 3	30	-	81,427	81,457
2.8	Interest accrued on impaired loans	-	-	3,531	3,531
2.9	Foreign exchange differences	3,305	6,084	1,502	10,891
3	Decrease in the amount of loan provisions for the period	(37,495)	(178,579)	(161,889)	(377,963)
3.1	Decrease of loan closing provision	(2,563)	(2,503)	(658)	(5,724)
3.2	Decrease in provision by decrease in the carrying value	(22,736)	(31,954)	(10,240)	(64,930)
3.3	Decreasing the provision from the transition between stages	(467)	(40,294)	(63,214)	(103,975)
3.4	Decreasing the provision from the deterioration of the quality of the portfolio	(1,419)	(20,073)	(4,374)	(25,866)
3.5	Recovery of loans written off against provisions in prior periods	-	-	(796)	(796)
3.6	Amount of transition from Stage 1	-	(1,480)	(30)	(1,510)
3.7	Amount of transition from Stage 2	(9,602)	-	-	(9,602)
3.8	Amount of transition from Stage 3	(46)	(81,737)	(81,427)	(163,210)
3.9	Interest accrued on impaired loans	(2)	-	(872)	(874)
3.10	Foreign exchange differences	(660)	(538)	(278)	(1,476)
4	Balance at the end of the period	36,010	67,162	224,924	328,096

Table 8.6. Loan structure by types of economic activity

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Economic activity	31/12/2023		31/12/2022	
1	2	3	4	5	6
1	Transactions with real estate, leasing, engineering and servicing	48,093	2.10%	312,771	7.77%

(in thousands of Ukrainian hryvnias)					
Line	Economic activity	31/12/2023		31/12/2022	
1	2	3	4	5	6
2	Trade, repair of vehicles, household equipment and items of personal use	536,353	23.47%	665,043	16.53%
3	Agriculture, hunting, forestry	241,401	10.56%	329,179	8.18%
4	Processing industry	227,966	9.97%	1,140,284	28.34%
5	Retail	1,105,547	48.37%	1,427,160	35.48%
6	Other	126,193	5.53%	148,510	3.70%
7	Total loans and advances to customers less provisions	2,285,553	100%	4,022,947	100%

Table 8.7. Information about loans by collateral type of as of 31 December 2023

(in thousands of Ukrainian hryvnias)							
Line	Item	Corporate loans	Retail mortgage loans	Loans to individual entrepreneurs	Retail consumer loans	Other retail loans	Total
1	2	3	4	5	6	7	8
1	Unsecured loans	2 153	568	429	364,710	14	367,874
2	Loans secured by:	1,177,854	713,920	-	25,905	-	1,917,679
2.1	cash	19,865	-	-	-	-	19,865
2.2	real estate	204,272	713,920	-	10,577	-	928,769
2.2.1	residential mortgage	6,007	713,920	-	-	-	719,927
2.2.2	non-residential mortgage	198,265	-	-	10,577	-	208,842
3	Other assets	953,717	-	-	15,328	-	969,045
3.1	equipment	347,539	-	-	-	-	347,539
3.2	goods in turnover	288,664	-	-	-	-	288,664
3.3	vehicles	317,514	-	-	15,328	-	332,842
4	Total loans and advances to customers, gross of provision	1,180,007	714,488	429	390,615	14	2,285,553

Table 8.8. Information about loans by collateral type of as of 31 December 2022

(in thousands of Ukrainian hryvnias)							
Line	Item	Corporate loans	Retail mortgage loans	Loans to individual entrepreneurs	Retail consumer loans	Other retail loans	Total
1	2	3	4	5	6	7	8
1	Unsecured loans	259,310	630	388	503,654	11	763,993
2	Loans secured by:	794,552	881,736	-	15,090	-	1,691,378
2.1	cash	3,162	-	-	208	-	3,370
2.2	real estate	791,390	881,736	-	14,882	-	1,688,008
2.2.1	residential mortgage	5,193	881,736	-	7,395	-	894,324
2.2.2	non-residential mortgage	786,197	-	-	7,487	-	793,684
3	Other assets	1,541,925	-	-	25,651	-	1,567,576
3.1	equipment	630,919	-	-	-	-	630,919
3.2	goods in turnover	335,192	-	-	-	-	335,192
3.3	vehicles	348,604	-	-	25,651	-	374,255
3.4	government securities	227,210	-	-	-	-	227,210
4	Total loans and advances to customers, gross of provision	2,595,787	882,366	388	544,395	11	4,022,947

Table 8.9. Credit quality analysis as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>							
Line	Item	Corporate loans	Retail mortgage loans	Loans to individual entrepreneurs	Retail consumer loans	Other retail loans	Total
1	2	3	4	5	6	7	8
1	Impairment Stage 1:	813,512	666,007	429	279,647	14	1,759,609
1.1	Not overdue	813,512	647,176	429	270,948	14	1,732,079
1.2	Less than 30 days	-	18,582	-	8,478	-	27,060
1.3	31 - 60 days	-	156	-	217	-	373
1.4	61 - 90 days	-	24	-	-	-	24
1.5	91 - 180 days	-	69	-	-	-	69
1.6	More than 270 days	-	-	-	4	-	4
2	Impairment Stage 2:	116,275	19,125	-	20,418	-	155,818
2.1	Not overdue	86,275	18,759	-	16,833	-	121,867
2.2	Less than 30 days	-	366	-	2,678	-	3,044
2.3	31 - 60 days	30,000	-	-	262	-	30,262
2.4	61 - 90 days	-	-	-	604	-	604
2.5	91 - 180 days	-	-	-	41	-	41
3	Impairment Stage 3:	250,220	29,356	-	90,550	-	370,126
3.1	Not overdue	40,065	10,577	-	9,032	-	59,674
3.2	Less than 30 days	-	-	-	2,610	-	2,610
3.3	31 - 60 days	-	105	-	1,372	-	1,477
3.4	61 - 90 days	-	-	-	1,048	-	1,048
3.5	91 - 180 days	-	127	-	3,186	-	3,313
3.6	181 - 270 days	-	1,312	-	5,700	-	7,012
3.7	More than 270 days	210,155	17,235	-	67,602	-	294,992
4	Total loans, gross of provision	1,180,007	714,488	429	390,615	14	2,285,553
5	Provision for loan impairment	(126,536)	(30,557)	(1)	(102,069)	-	(259,163)
6	Total loans less provisions	1,053,471	683,931	428	288,546	14	2,026,390

The Bank has developed its own approach to calculating the number of days of debt overdue in accordance with the new definition of default under Article 178 of Regulation (EU) No. 575/2013, which is used in the calculation of the provision. Note is presented according to this approach. Also, row 3.1 reflects loans that may have signs of restructuring and be assigned to Stage 3 without debt overdue.

Table 8.10. Credit quality analysis as of 31 December 2022

<i>(in thousands of Ukrainian hryvnias)</i>							
Line	Item	Corporate loans	Retail mortgage loans	Loans to individual entrepreneurs	Retail consumer loans	Other retail loans	Total
1	2	3	4	5	6	7	8
1	Impairment Stage 1:	1,319,080	820,048	388	405,966	11	2,545,493
1.1	Not overdue	1,319,080	809,123	388	396,906	11	2,525,508
1.2	Less than 30 days	-	10,925	-	9,032	-	19,957
1.3	31 - 60 days	-	-	-	28	-	28
2	Impairment Stage 2:	1,011,000	23,488	-	42,207	-	1,076,695
2.1	Not overdue	792,343	16,202	-	26,156	-	834,701
2.2	Less than 30 days	-	1,369	-	4,400	-	5,769
2.3	31 - 60 days	153,968	3,052	-	6,668	-	163,688
2.4	61 - 90 days	64,689	2,865	-	4,983	-	72,537

<i>(in thousands of Ukrainian hryvnias)</i>							
Line	Item	Corporate loans	Retail mortgage loans	Loans to individual entrepreneurs	Retail consumer loans	Other retail loans	Total
1	2	3	4	5	6	7	8
3	Impairment Stage 3:	265,708	38,830	-	96,221	-	400,759
3.1	Not overdue	-	9,806	-	15,305	-	25,111
3.2	Less than 30 days	-	390	-	2,633	-	3,023
3.3	31 - 60 days	36,015	-	-	1,112	-	37,127
3.4	61 - 90 days	-	-	-	791	-	791
3.5	91 - 180 days	202,188	5,466	-	10,813	-	218,467
3.6	181 - 270 days	27,505	19,173	-	53,209	-	99,887
3.7	More than 270 days	-	3,995	-	12,358	-	16,353
4	Total loans, gross of provision	2,595,788	882,366	388	544,394	11	4,022,947
5	Provision for loan impairment	(171,185)	(44,714)	(2)	(112,195)	-	(328,096)
6	Total loans less provisions	2,424,603	837,652	386	432,199	11	3,694,851

As of 31 December 2023, and 31 December 2022 the majority of loans provided to corporate borrowers are short-term and are granted to borrowers with a minimal credit risk according to the Bank's assessment.

Table 8.11. Effect of collateral value

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Corporate loans	14,122	18,671
2	Retail mortgage loans	5,330	5,645
3	Loans to individual entrepreneurs	-	-
4	Retail consumer loans	2,183	2,904
5	Other retail loans	-	-
6	Total	21,635	27,220

The general creditworthiness of a corporate customer tends to be the most relevant indicator of the quality of the loan granted to it. Since a collateral provides additional security, the Bank generally requests corporate borrowers to provide it.

The amount of provision on the total credit portfolio for expected credit losses, on the non-performing loan portfolio, excluding collateral, would be higher by UAH 21,635 thousand as of 31 December 2023 (by UAH 27,220 thousand as of 31 December 2022).

Note 9. Investments in securities

Table 9.1. Investments in securities

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Debt securities at AC	2,603,205	3,344,209
1.1	certificates of deposit of the National Bank of Ukraine	2,603,205	3,344,209
2	Debt securities at FVTOCI	2,013,916	-
2.1	certificates of deposit of the National Bank of Ukraine	1,015,664	-
2.2	domestic bonds refinanced by the National Bank of Ukraine	209,240	-

(in thousands of Ukrainian hryvnias)			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
2.3	debt government securities of other countries	789,012	-
3	Shares of non-banking financial institutions at FVTOCI	34	34
4	Provision for impairment of securities	(31)	(31)
5	Total investments in securities less provisions	4,617,124	3,344,212

Line 5 in Table 9.1 corresponds to account “Investments in securities” in the statement of financial position.

Table 9.2. Credit quality analysis of debt securities carried at amortised cost as of 31 December 2023

(in thousands of Ukrainian hryvnias)			
Line	Item	NBU certificates of deposit	Total
1	2	3	4
1	Impairment Stage 1	2,603,205	2,603,205
1.1	Not overdue	2,603,205	2,603,205
2	Provision for impairment of securities	-	-
3	Total investments in securities at AC	2,603,205	2,603,205

Table 9.3. Credit quality analysis of debt securities carried at amortised cost as of 31 December 2022

(in thousands of Ukrainian hryvnias)			
Line	Item	NBU certificates of deposit	Total
1	2	3	4
1	Impairment Stage 1	3,344,209	3,344,209
1.1	Not overdue	3,344,209	3,344,209
2	Provision for impairment of securities	-	-
3	Total investments in securities at AC	3,344,209	3,344,209

Table 9.4. Credit quality of debt securities carried at fair value through other comprehensive income as of 31 December 2023

(in thousands of Ukrainian hryvnias)			
Line	Item	Domestic government loan bonds	Total
1	2	3	4
1	Impairment Stage 1	2,013,930	2,013,930
1.1	Not overdue	2,013,930	2,013,930
2	Provision for impairment of securities	(14)	(14)
3	Total investments in securities at FVTOCI	2,013,916	2,013,916

Table 9.5. Movements in provisions for impairment of securities carried at fair value through other comprehensive income as of 31 December 2023 and for the year then ended

(in thousands of Ukrainian hryvnias)				
Line	Movements in provisions	Domestic government loan bonds	Corporate shares	Total
1	2	3	4	5
1	Balance as of 1 January 2023	-	(31)	(31)

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Movements in provisions	Domestic government loan bonds	Corporate shares	Total
1	2	3	4	5
2	Increase in provision for impairment during the year	(14)	-	(14)
3	Balance as of 31 December 2023	(14)	(31)	(45)

Table 9.6. Movements in provisions for impairment of securities carried at fair value through other comprehensive income as of 31 December 2022 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Movements in provisions	Domestic government loan bonds	Corporate shares	Total
1	2	3	4	5
1	Balance as of 1 January 2022	(51)	(31)	(82)
2	Increase in provision for impairment during the year	51	-	51
3	Balance as of 31 December 2022	-	(31)	(31)

Note 10. Investment property

The valuation of investment property was carried out by an independent appraiser, LLC “VALKOL” as of 31 October 2023. with further confirmation by the appraiser that there are no significant changes in the market as of 31 December 2023. At the time of the appraisal, the appraiser, LLC “VALKOL”, had the appropriate certification in accordance with the current legislation of Ukraine and previous experience in appraising similar properties.

Table 10.1. Fair value of investment property

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Fair value of investment property at the beginning of the period	6,831	12,777
2	Disposal (sale)	(343)	(663)
3	Reclassification to non-current assets held for sale and disposal groups	-	(6,046)
4	(Decrease) increase in investment property value	(1,135)	763
5	Fair value of investment property at the end of the period	5,353	6,831

Line 5 in Table 10.1 corresponds to account “Investment property” in the statement of financial position.

Fair value of investment property items was determined to be equal to the market value, net of value added tax. In the process of calculating the market value of the objects of assessment, a comparative method was used, which is based on taking into account the principles of substitution, as well as demand and supply.

The comparative approach involves the following sequence of evaluation procedures:

- collection and analysis of information on the sale or offer of similar real estate and identification of objects of comparison;
- the choice of the method of calculating the value of the object of evaluation, taking into account the volume and reliability of the available information;
- comparison of the object of assessment with the objects of comparison with the subsequent adjustment of the sale price or the offer price of the objects of comparison;
- determination of the value of the object of evaluation by taking into account the amount of adjustments to the value of the objects of comparison;
- reconciliation of the received calculation results.

Comparison of the object of assessment and objects of comparison is carried out according to such indicators as the price of the object of comparison, the price of a unit of area, etc.

The main elements of the comparison are the characteristics of similar property in terms of its location, physical and functional features, terms of sale, etc. Adjustment of the value of similar property is carried out by adding or subtracting a monetary amount using a coefficient (percentage) to the sale (offer) price of the specified property or by combining them.

Table 10.2. Amounts recognised in the statement of profit or loss

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Income and expense	31/12/2023	31/12/2022
1	2	3	4
1	Gains from disposal of investment property	141	-
2	Net profit (loss) from investment property revaluation	(1,135)	763

The data on line 1 of table 10.2 are displayed as part of the note 26 “Other income” of the Statement of profit or loss. Data on line 2 of table 10.2 is displayed as a separate line in the Statement of profit or loss.

During 2023, the Bank did not lease investment real estate objects and did not receive income.

Note 11. Property, plant and equipment and intangible assets*Table 11.1 Property, plant and equipment and intangible assets*

<i>(in thousands of Ukrainian hryvnias)</i>												
Line	Item	Land plots	Buildings, constructions and transmission equipment	Machinery and equipment	Vehicles	Fixtures and fittings (furniture)	Other PP&E	Other non-current tangible assets	Low-value non-current tangible assets	Construction in progress	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Carrying amount as of 31 December 2021 (1 January 2022):	257	214,382	23,077	-	3,037	476	2,334	3,617	48,814	121,934	417,928
1.1	Historical (revalued) cost	257	217,306	132,681	4,457	8,219	1,055	13,159	18,446	48,814	544,985	989,379
1.2	Depreciation as of 31 December 2021 (1 January 2022)	-	(2,924)	(109,604)	(4,457)	(5,182)	(579)	(10,825)	(14,829)	-	(423,051)	(571,451)
2	Additions	-	-	-	-	-	-	-	-	103,307	-	103,307
3	Commissioning	-	1,181	57,065	-	68	54	2,126	349	-	9,919	70,762
4	Improvements of property, equipment and intangible assets (including transfers between items)	-	1,317	2,544	-	-	-	501	-	-	40,254	44,616
5	Transfer to disposal group assets	-	(24)	-	-	-	-	-	-	-	-	(24)
5.1	Transfer (historical cost)	-	(25)	-	-	-	-	-	-	-	-	(25)
5.2	Transfer (impairment)	-	1	-	-	-	-	-	-	-	-	1
6	Disposals (including transfers between items)	-	-	(64)	-	(38)	(26)	(21)	-	(115,377)	(3)	(115,529)
6.1	Disposal (historical cost)	-	(1)	(6,230)	-	(59)	(89)	(100)	(194)	(115,377)	(32,202)	(154,252)
6.2	Disposal (impairment)	-	1	6,166	-	21	63	79	194	-	32,199	38,723
7	Depreciation/amortisation charge	-	(16,392)	(5,811)	-	(643)	(153)	(1,965)	(172)	-	(49,073)	(74,209)

<i>(in thousands of Ukrainian hryvnias)</i>												
Line	Item	Land plots	Buildings, constructions and transmission equipment	Machinery and equipment	Vehicles	Fixtures and fittings (furniture)	Other PP&E	Other non-current tangible assets	Low-value non-current tangible assets	Construction in progress	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
8	Recognition of impairment losses through financial results	-	(3,633)	-	-	-	-	-	-	-	-	(3,633)
9	Recognition of losses from a decrease in value through financial results with an increase in the amount of depreciation	-	-	(154)	-	(79)	(35)	-	-	-	-	(268)
10	Recognition the amount of impairment losses through additional capital	-	(502)	-	-	-	-	-	-	-	-	(502)
11	Increase by the amount of depreciation reversal from impairment through capital	-	14	-	-	-	-	-	-	-	-	14
12	Revaluation	-	48,831	-	-	-	-	-	-	-	-	48,831
12.1	Revaluation of historical cost	-	32,790	-	-	-	-	-	-	-	-	32,790
12.2	Revaluation of depreciation/amortisation	-	16,041	-	-	-	-	-	-	-	-	16,041
13	Carrying amount as of 31 December 2022:	257	245,174	76,657	-	2,345	316	2,975	3,794	36,744	123,031	491,293
13.1	Historical (revalued) cost	257	248,433	186,060	4,457	8,228	1,020	15,686	18,601	36,744	562,956	1,082,442
13.2	Depreciation as of 31 December 2022	-	(3,259)	(109,403)	(4,457)	(5,883)	(704)	(12,711)	(14,807)	-	(439,925)	(591,149)
14	Additions (including transfers between items)	-	1,633	10,458	-	58	243	1,959	3,316	107,748	38,336	163,751
15	Improvements of property, equipment and intangible assets	-	8,216	4,663	-	-	-	1,595	-	-	49,080	63,554

<i>(in thousands of Ukrainian hryvnias)</i>												
Line	Item	Land plots	Buildings, constructions and transmission equipment	Machinery and equipment	Vehicles	Fixtures and fittings (furniture)	Other PP&E	Other non-current tangible assets	Low-value non-current tangible assets	Construction in progress	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
	(including transfers between items)											
16	Disposals (including transfers between items)	-	-	(63)	-	(2)	(57)	(47)	(14)	(119 557)	-	(119 740)
16.1	Disposal (historical cost)	-	(983)	(9 230)	-	(96)	(90)	(1 465)	(275)	(119 557)	(26 829)	(158 525)
16.2	Disposal (impairment)	-	983	9 167	-	94	33	1 418	261	-	26 829	38 785
17	Depreciation/amortisation charge	-	(20,775)	(12,905)	-	(624)	(140)	(1,850)	(1,632)	-	(75,937)	(113,863)
18	Recognition of impairment losses through financial results	-	(2,605)	-	-	-	-	-	-	-	-	(2,605)
19	Decreasing of historical cost by the amount of depreciation	-	(481)	-	-	-	-	-	-	-	-	(481)
20	Write-off of depreciation from impairment	-	481	-	-	-	-	-	-	-	-	481
21	Recovery of impairment (depreciation) through financial results	-	-	-	-	25	20	-	-	-	-	45
22	Revaluation	-	77,432	-	-	-	-	-	-	-	-	77,432
22.1	Revaluation of historical cost	-	57,037	-	-	-	-	-	-	-	-	57,037
22.2	Revaluation of depreciation/amortisation	-	20,395	-	-	-	-	-	-	-	-	20,395
23	Transfer between groups	-	-	-	-	-	50	-	(50)	-	-	-
24	Carrying amount as of 31 December 2023:	257	309,075	78,810	-	1,802	432	4,632	5,414	24,935	134,510	559,867
24.1	Historical (revalued) cost	257	311,250	191,951	4,457	8,190	1,223	17,775	21,592	24 935	623,543	1,205,173
24.2	Depreciation as of 31 December 2023	-	(2,175)	(113,141)	(4,457)	(6,388)	(791)	(13,143)	(16,178)	-	(489,033)	(645,306)

As of 31 December 2023, and 2022, there are no property, plant and equipment items that are:

- pledged as collateral;
- temporarily not in use (conservation, reconstruction, etc.).

As of 31 December 2023, there are no fixed assets (movable property), which are subject to restrictions within the framework of a lawsuit. As of 31 December 2022, fixed assets (movable property), which are subject to restrictions within the framework of a lawsuit (Note 17), amount to UAH 4,457 thousands (carrying value).

As of 31 December 2023, historical (revalued) cost of fully depreciated/amortised property, plant and equipment, intangible assets and other non-current assets amounts to UAH 487,997 thousand (2022: UAH 227,617 thousand):

- property, plant and equipment – UAH 93,646 thousand (2022: UAH 102,713 thousand);
- intangible assets – UAH 373,989 thousand (2022: UAH 108,660 thousand);
- other non-current assets – UAH 20,362 thousand (2022: UAH 16,244 thousand).

As of 31 December 2023, expenses from the impairment (depreciation) of immovable property amounted to UAH 2,605 thousand, movable property to UAH 2 thousand (2022: the immovable property amounted to UAH 4,121 thousand, movable property to UAH 268 thousand).

Income from the recovery of the value of movable property, the existence of which was confirmed, amounted to UAH 45 thousand.

The result of the valuation of real estate carried out in 2023 by the independent valuation company “VALKOL” LLC as of 31 October 2023 was UAH 76,297 thousand, including increase through equity in the amount of UAH 77,432 thousand, through profit or loss (expense) in the amount of UAH 1,135 thousand (2022: UAH 49,594 thousand, including increase through equity in the amount of UAH 47,108 thousand, through profit or loss (income) in the amount of UAH 2,486 thousand).

As of 31 December 2023 and 2022 there were no internally generated intangible assets.

As of 31 December 2023, the carrying value of real estate, which would be recognized if the assets were accounted for according to the cost model less depreciation, would be UAH 111,134 thousand (2022: UAH 111,700 thousand).

As of 31 December 2023 and 2022 right of use assets includes building, constructions and cars. Right of use assets are included in the item Fixed Assets and Intangible Assets of the Statement of Financial Position.

During 2023 the Bank took measures to ensure uninterrupted work, protection of property and information. During 2023, the Bank purchased means of communication, computer equipment and means of information protection in the amount of UAH 1,451 thousand, software licenses in the amount of UAH 2,570 thousand (2022: purchased generators worth UAH 2,814 thousand, computer, network, security equipment worth UAH 36,300 thousand, and software worth UAH 9,300 thousand).

Table 11.2 Movements in right-of-use assets during the year 2023

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	Buildings	Total
1	2	3	4
1	Balance at 1 January 2023	57,625	57,625
1.1	Cost	135,436	135,436
1.2	Amortisation/depreciation	(77,811)	(77,811)
2	Initial recognition/revaluation of the initial recognition of a right-of-use asset and a lease liability	50,010	50,010

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	Buildings	Total
1	2	3	4
3	Amortisation/depreciation charges for the year	(18,061)	(18,061)
4	Derecognition of right-of-use assets	(37,363)	(37,363)
5	Balance at 31 December 2023	52,211	52,211
5.1	Cost	127,964	127,964
5.2	Amortisation/depreciation	(75,753)	(75,753)

Table 11.3 Movements in right-of-use assets during the year 2022

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	Buildings	Total
1	2	3	4
1	Balance at 1 January 2022	51,474	51,474
1.1	Cost	116,902	116,902
1.2	Amortisation/depreciation	(65,428)	(65,428)
2	Initial recognition/revaluation	52,151	52,151
3	Amortisation/depreciation charges for the year	(25,381)	(25,381)
4	Derecognition of right-of-use assets	(20,619)	(20,619)
5	Balance at 31 December 2022	57,625	57,625
5.1	Cost	135,436	135,436
5.2	Amortisation/depreciation	(77,811)	(77,811)

Note 12. Other financial assets**Table 12.1. Other financial assets**

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Accounts receivable from transactions with customers	4,040	5,513
2	Amounts due on accrued income from cash and settlement services and other accrued income	2,738	2,409
3	Accounts receivable from transactions with payment cards	74,582	44,032
4	Other assets	103	49
5	Provision for impairment	(4,020)	(5,662)
6	Total other financial assets less provisions	77,443	46,341

Line 6 in Table 12.1 corresponds to account “Other financial assets” in the statement of financial position.

Table 12.2. Analysis of changes in provision for impairment of other financial assets for 2023

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Movements in provisions	Accounts receivable from transactions with customers	Amounts due on overdue accrued income from cash and settlement services, and other accrued income	Total
1	2	3	4	5
1	Balance as at 1 January 2023	(4,733)	(929)	(5,662)
2	(Increase)/decrease in provision for impairment during the year	1,879	(135)	1,744

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Movements in provisions	Accounts receivable from transactions with customers	Amounts due on overdue accrued income from cash and settlement services, and other accrued income	Total
1	2	3	4	5
3	Foreign exchange differences on provisions	(180)	78	(102)
4	Closing balance as of 31 December 2023	(3,034)	(986)	(4,020)

Table 12.3. Analysis of changes in provision for impairment of other financial assets for 2022

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Movements in provisions	Accounts receivable from transactions with customers	Amounts due on overdue accrued income from cash and settlement services, and other accrued income	Total
1	2	3	4	5
1	Balance as at 1 January 2022	(9,704)	(478)	(10,182)
2	(Increase)/decrease in provision for impairment during the year	(1,633)	(378)	(2,011)
3	Bad debt written off	7,180	-	7,180
4	Foreign exchange differences on provisions	(576)	(73)	(649)
5	Closing balance as of 31 December 2022	(4,733)	(929)	(5,662)

Table 12.4. Credit quality analysis of other financial assets as of 31 December 2023 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>						
<i>Accounts receivable without a significant financing component</i>						
Li- ne	Item	Accounts receivable from transactions with customers	Amounts due on accrued income from cash and settlement services and other accrued income	Accounts receivable from transactions with payment cards	Other assets	Total
1	2	3	4	5	6	7
1	Impairment Stage 1:	1,026	1,772	74,582	103	77,483
1.1	Not overdue	981	1,745	74,582	103	77,411
1.2	Less than 30 days	4	1	-	-	5
1.3	31 - 60 days	6	12	-	-	18
1.4	61 - 90 days	35	14	-	-	49
2	Impairment Stage 3:	3,014	966	-	-	3,980
2.1	Less than 30 days	-	92	-	-	92
2.2	31 - 60 days	-	73	-	-	73
2.3	61 - 90 days	-	89	-	-	89
2.4	91 - 180 days	-	78	-	-	78
2.5	181 - 270 days	2	21	-	-	23
2.6	More than 270 days	3,012	613	-	-	3,625
3	Total other financial assets	4,040	2,738	74,582	103	81,463

<i>(in thousands of Ukrainian hryvnias)</i>						
<i>Accounts receivable without a significant financing component</i>						
Li- ne	Item	Accounts receivable from transactions with customers	Amounts due on accrued income from cash and settlement services and other accrued income	Accounts receivable from transactions with payment cards	Other assets	Total
1	2	3	4	5	6	7
4	Provision for impairment of other assets	(3,034)	(986)	-	-	(4,020)
5	Total other financial assets less provisions	1,006	1,752	74,582	103	77,443

Table 12.5. Credit quality analysis of other financial assets as of 31 December 2022 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>						
<i>Accounts receivable without a significant financing component</i>						
Li- ne	Item	Accounts receivable from transactions with customers	Amounts due on accrued income from cash and settlement services and other accrued income	Accounts receivable from transactions with payment cards	Other assets	Total
1	2	3	4	5	6	7
1	Impairment Stage 1:	1,011	1,549	44,032	49	46,641
1.1	Not overdue	551	1,397	44,032	20	46,000
1.2	Less than 30 days	232	91	-	29	352
1.3	31 - 60 days	228	37	-	-	265
1.4	61 - 90 days	-	24	-	-	24
2	Impairment Stage 3:	4,500	862	-	-	5,362
2.1	Less than 30 days	70	31	-	-	101
2.2	31 - 60 days	70	48	-	-	118
2.3	61 - 90 days	18	58	-	-	76
2.4	91 - 180 days	-	134	-	-	134
2.5	181 - 270 days	-	24	-	-	24
2.6	More than 270 days	4,342	567	-	-	4,909
3	Total other financial assets	5,511	2,411	44,032	49	52,003
4	Provision for impairment of other assets	(4,732)	(930)	-	-	(5,662)
5	Total other financial assets less provisions	779	1,481	44,032	49	46,341

Note 13. Other non-financial assets

Table 13.1. Other non-financial assets

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Accounts receivable on the acquisition of assets	79	974
2	Prepaid services	65,799	21,770
3	Precious metals	1,074	955
4	Accounts receivable from taxes and mandatory payments other than income tax	629	191
5	Other assets	4,363	3,221
6	Provision for other non-financial assets	-	(51)
7	Total other non-financial assets less provisions	71,944	27,060

Line 7 in Table 13.1 corresponds to account “Other non-financial assets” in the statement of financial position.

Table 13.2. Movements in provision for impairment of other non-financial assets as of 31 December 2023 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Prepaid services	Total
1	2	3	4
1	Balance as at 1 January 2023	(51)	(51)
2	Decrease in provision for impairment during the year	51	51
5	Balance at 31 December 2023	-	-

Table 13.3. Movements in provision for impairment of other non-financial assets as of 31 December 2022 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Movements in provisions	Prepaid services	Precious metals	Total
1	2	3	4	5
1	Balance as at 1 January 2022	(66)	(467)	(533)
2	Decrease in provision for impairment during the year	15	-	15
3	Bad debt written off	-	503	503
4	Foreign exchange differences on provisions	-	(36)	(36)
5	Balance at 31 December 2022	(51)	-	(51)

Note 14. Due to customers

Table 14.1. Breakdown of amounts due to customers

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Government and public organisations:	26,855	18,814
1.1	Current accounts	26,755	18,683
1.2	Term deposits	100	131
2	Other legal entities:	5,855,240	5,140,254
2.1	Current accounts	3,108,504	3,556,162

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
2.2	Term deposits	2,746,736	1,584,092
3	Individuals:	3,244,850	3,056,707
3.1	Current accounts	1,988,694	2,604,002
3.2	Term deposits	1,256,156	452,705
4	Total amounts due to customers	9,126,945	8,215,775

Line 4 in Table 14.1 corresponds to account “Due to customers” in the statement of financial position.

The Bank believes that a potential concentration risk may arise when at least 10% of the carrying value of amounts due to customers (excluding subordinated debt and loans from international financial institutions) are attracted from a limited number of creditors. As of 31 December 2023, and 2022, the funds of two and three clients were respectively UAH 1,566,869 thousand and UAH 1,064,862 thousand, which was equal to 17.17% and 12.96%, respectively, of the amount due to customers as of the reporting date.

As of 31 December 2023, there were seven deposits in the loan collateral for the amount of UAH 48,077 thousand (2022: there was one deposit in the loan collateral for the amount of UAH 475 thousand).

Table 14.2. Breakdown of amounts due to customers by types of economic activity

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Economic activity	31/12/2023		31/12/2022	
		amount	%	amount	%
1	2	3	4	5	6
1	State authorities	3	0.01	3	0.01
2	Production and distribution of electricity, natural gas and water	47,890	0.52	37,440	0.46
3	Transactions with real estate, leasing, engineering and servicing	578,530	6.34	458,237	5.58
4	Trade, repair of vehicles, household equipment and items of personal use	782,332	8.57	726,558	8.84
5	Agriculture, hunting, forestry	43,965	0.48	18,230	0.22
6	Retail	3,244,850	35.55	3,056,706	37.20
7	Processing industry	747,159	8.19	556,088	6.77
8	Financial and insurance services	2,570,182	28.16	2,200,145	26.77
9	Construction	249,470	2.73	231,847	2.82
10	Information and telecommunications	595,976	6.53	509,329	6.20
11	Other	266,588	2.92	421,192	5.13
12	Total amounts due to customers	9,126,945	100.00	8,215,775	100

Note 15. Other borrowed funds

Table 15.1. Other borrowed funds as of 31 December 2023 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Loans from international and other financial organizations	432,431	449,191
2	Total	432,431	449,191

In December 2020, the Bank signed an agreement with EUROPEAN INVESTMENT BANK for a loan totaling EUR 30,000,000, to finance and support small and medium-sized businesses in the context of the Covid-19 pandemic.

The loan is provided in the form of tranches each with a minimum amount of at least EUR 5,000,000. According to the terms of the contract, the loan can be granted both in dollars and in euros.

In December 2021, the Bank received the first two tranches on the following terms:

1st tranche – EUR 7 million (for a period of 7 years, at 2.315% per annum) or UAH 190,947 thousand at the exchange rate as of 31 December 2021;

2nd tranche – EUR 5 million (for a period of 7 years, at 0.785% per annum) or UAH 154,613 thousand at the exchange rate as of 31 December 2021;

During 2022, the Bank did not receive new loans or tranches for other borrowed funds, and the change in other borrowed funds is related only to the devaluation of the hryvnia and the change in accrued interest.

During 2023, the Bank also did not receive new loans or tranches under this article, but made a partial repayment of the tranches received in December 2021, namely:

- on 22 December 2023, a partial payment in the amount of USD 636,363.64 was made for the 1st tranche for USD 7 million (term for 7 years, at 2.315% per annum). The final balance of this tranche as of 31 December 2023, is USD 6,363,636.36 (or UAH 241,706 thousand at the exchange rate as of 31 December 2023).
- on 22 December 2023, a partial payment in the amount of EUR 454,545.45 was made for the 2nd tranche for EUR 5 million (term for 7 years, at 0.785% per annum). The final balance of this tranche as of 31 December 2023, is EUR 4,545,454.55 (or UAH 191,854 thousand at the exchange rate as of 31 December 2023).

Note 16. Provisions for credit commitments and financial guarantee contracts and other provisions

Table 16.1. Changes in provisions for credit commitments and financial guarantee contracts as of 31 December 2023 and for the year then ended.

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Credit-related commitments	Total
1	2	3	5
1	Balance at the beginning of the year	43,397	43,397
2	Increase (decrease) in provision for impairment during the year	(39,649)	(39,649)
3	Foreign exchange differences on provisions	791	791
4	Balance at 31 December 2023	4,539	4,539

Line 4 in Table 16.1 included to item “Provisions for credit commitments and financial guarantee contracts and other provisions” in the Statement of Financial Position. The change in commitments by stages disclosed in Note 31.

Table 16.2. Changes in provisions for credit commitments and financial guarantee contracts as of 31 December 2022 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Credit-related commitments	Total
1	2	3	5
1	Balance at the beginning of the year	9,421	9,421
2	Increase (decrease) in provision for impairment during the year	28,971	28,971
3	Foreign exchange differences on provisions	5,005	5,005
4	Balance at 31 December 2022	43,397	43,397

Note 17. Other provisions

Table 17.1. Changes in provisions for other provisions as of 31 December 2023 and for the year then ended.

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions		Total
1	2	3	4
1	Balance at the beginning of the year	114,538	114,538
2	Increase in provision during the year	(112,265)	(112,265)
3	Translation differences	(160)	(160)
4	Balance at 31 December 2023	2,113	2,113

Line 4 in Table 17.2 corresponds to account “Other provisions” in the statement of financial position. As of 31 December 2023, there are no fixed assets (movable property) in respect of which there are restrictions on the right of ownership (order) (2022: in accordance with a lawsuit, according to which there was a probable outflow of resources, the fixed assets of the Bank were seized in the amount of UAH 4,457 thousand (Note 11)).

As of 31 December 2023, disputes over UAH 156,313 thousand (2022: UAH 59,624 thousand) took place in administrative courts and courts of general jurisdiction, the probability of risk of outflow of resources for which the Bank estimates as possible. Considering the Bank's assessments of the prospects for resolving disputes, no provisions were created for these risks. The Bank released the previously formed reserve in the amount of UAH 112,939 thousand in a court case against the Bank, according to which the probability of a negative resolution of the dispute for the Bank is estimated to be less than 50% based on the judgment and decision of the court of appeal.

Table 17.2. Changes in other provisions as of 31 December 2022 and for the year then ended.

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Movements in provisions	Litigation contingencies	Total
1	2	3	4
1	Balance at the beginning of the year	88,585	88,585
2	Increase in provision during the year	(852)	(852)
3	Settlement	26,805	26,805
4	Balance at 31 December 2022	114,538	114,538

Line 4 in Table 17.2 corresponds to account “Other provisions” in the statement of financial position.

Note 18 Other financial liabilities

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Balances on the investment account of Intesa Sanpaolo S. p. A.	3,869	4,010

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
2	Accounts payable on transactions with customers	8,148	9,068
3	Accounts payable on debit and credit cards	68,361	54,947
4	Foreign exchange transactions and settlements	11	4,288
5	Accruals on other payments to employees	39,115	27,339
6	Lease liabilities	64,503	63,153
7	Other liabilities	11,901	9,346
8	Total other financial liabilities	195,908	172,151

Line 8 in Note 18 corresponds to item “Other financial liabilities” in the Statement of financial position.

Note 19. Other non-financial liabilities

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Accounts payable on taxes other than income tax	15,281	16,294
2	Accounts payable on settlements with employees of the Bank	5,554	5,523
3	Accounts payable on asset acquisitions	10,099	4,603
4	Deferred income	6,496	6,412
5	Accounts payable on recruitment services	29,946	44,123
6	Accounts payable on technical support and software maintenance services	33	71
7	Accounts payable on services and security	5,677	5,615
8	Settlements via payment systems and Ukrainian Processing Center	8,002	6,150
9	Other liabilities	139	32
10	Total other non-financial liabilities	81,227	88,823

Line 10 in Note 19 corresponds to item “Other non-financial liabilities” in the Statement of financial position.

Note 20. Statutory capital

<i>(in thousands of Ukrainian hryvnias)</i>						
Line	Item	Number of shares in issue (in thousands)	Ordinary shares	Share premium	Preference shares	Total
1	2	3	4	5	6	7
1	Balance at 1 January 2022	1,688,085	1,047,856	4,600,754	870	5,649,480
2	Contributions for newly issued shares	-	-	-	-	-
3	Balance at 31 December 2022 (balance at 1 January 2023)	1,688,085	1,047,856	4,600,754	870	5,649,480
4	Contributions for newly issued shares	-	-	-	-	-
5	Balance at 31 December 2023	1,688,085	1,047,856	4,600,754	870	5,649,480

As of 31 December 2023, and 31 December 2022, preference shares outstanding amount to 1,500 shares in total.

As of 31 December 2023, and 31 December 2022, the nominal value of the shares is UAH 0.58 per share.

Holders of preference shares have the right to:

- participate in profit distribution and receive dividends in the amount stipulated by their preference shares, notwithstanding the amount of the Bank’s net profit earned in the respective year;

- preferences stipulated by the terms of preference share issue are as follows: holders of registered preference shares are entitled to dividends of 18% per annum, notwithstanding the amount of the Bank's net profit earned in the respective year.

In accordance with the Ukrainian legislation, distributable reserves are restricted by retained earnings in accordance with laws and regulations.

Note 21. Revaluation reserves

Table 21.1. Securities revaluation reserves

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Balance at 1 January	-	926
2	Changes in gains/losses arising from revaluation of securities at FVTOCI:	1,774	(879)
2.1	changes in revaluation to fair value	1,774	(879)
3	Income tax related to change in reserve for investments in securities	(443)	(47)
4	Total revaluation reserves less income tax	1,331	-

Table 21.2. Movements in revaluation reserve for property, plant and equipment

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Balance on 1 January	267,857	229,658
2	Revaluation of PP&E	77,432	46,620
2.1	changes in revaluation to fair value	77,432	46,620
3	Income tax related to revaluation of property, plant and equipment	(34,737)	(8,421)
4	Total revaluation reserves less income tax	310,552	267,857

Table 21.3. Results of adjusting the value of financial instruments in transactions with shareholders

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Balance on 1 January	4	-
2	Results of adjusting the value of financial instruments in transactions with shareholders	24	5
2.1	Gain recognised on initial recognition of the financial instrument in transactions with the Bank's shareholders	254	21
2.2	(Loss) recognised on initial recognition and attributed to accumulated loss on disposal of the financial instrument in transactions with the Bank's shareholders	(230)	(16)
3	Income tax related to changes in the adjustment of the value of financial instruments in transactions with the Bank's shareholders	(7)	(1)
4	Total adjustments of the value of financial instruments, net of income tax	21	4

Note 22. Analysis of contractual maturities of assets and liabilities

<i>(in thousands of Ukrainian hryvnias)</i>								
Line	Item	Notes	31 December 2023			31 December 2022		
			less than 12 months	more than 12 months	total	less than 12 months	more than 12 months	total
1	2	3	4	5	6	7	8	9
ASSETS								
1	Cash and cash equivalents	6	3,419,039	-	3,419,039	2,409,276	-	2,409,276
2	Loans and advances to banks	7	133,374	-	133,374	132,464	-	132,464
3	Loans and advances to customers	8	1,177,432	848,958	2,026,390	2,193,569	1,501,282	3,694,851
4	Investments in securities	9	4,617,124	-	4,617,124	3,344,212	-	3,344,212
5	Investment property	10	-	5,353	5,353	-	6,831	6,831
6	Current income tax receivable		29	-	29	29	-	29
7	Intangible assets other than goodwill	11	-	138,981	138,981	-	155,190	155,190
8	Fixed assets	11	-	473,097	473,097	-	393,728	393,728
9	Other financial assets	12	77,443	-	77,443	46,341	-	46,341
10	Other non-financial assets	13	71,944	-	71,944	27,060	-	27,060
11	Non-current assets or disposal groups classified as held for sale or held for payment to owners	10	-	-	-	6,070	-	6,070
12	Total assets		9,496,385	1,466,389	10,962,774	8,159,021	2,057,031	10,216,052
LIABILITIES								
13	Due to customers	14	9,126,944	1	9,126,945	8,214,592	1,183	8,215,775
14	Debt securities issued by the Bank		1	-	1	1	-	1
15	Other borrowed funds	15	86,447	345,984	432,431	40,817	408,374	449,191
16	Deferred tax liabilities	28	-	67,526	67,526	-	31,475	31,475
17	Total provisions	16, 17	5,140	1,512	6,652	124,525	33,410	157,935
18	Other financial liabilities	18	161,094	34,814	195,908	137,210	34,941	172,151
19	Other non-financial liabilities	19	79,089	2,138	81,227	88,629	194	88,823
20	Total liabilities		9,458,715	451,975	9,910,690	8,605,774	509,577	9,115,351

Note 23. Interest income and expense

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	2023	2022
1	2	3	4
Interest income			
1	Interest income on loans and advances to banks	72,203	11,971
2	Interest income on loans and advances to customers	349,330	462,315
3	Interest income on investments in securities at AC	545,159	367,817
4	Interest income on investments in securities at FVOCI	11,006	60,359
5	Interest income on other debt securities at FVOCI	17,478	-
6	Interest income on certificates of deposit of the National Bank of Ukraine placed in banks of Ukraine at FVOCI	115,184	-
7	Total interest income at effective interest rate	1,110,360	902,462
Interest expense:			
8	Interest expenses on term deposits of corporate customers	(318,953)	(135,323)
9	Interest income on term deposits of individuals	(42,786)	(10,413)
10	Interest income on overnight loans from other banks	(483)	(16)
11	Interest expenses on other loans received from the National Bank of Ukraine through refinancing	-	(20,294)
12	Interest expenses on current accounts	(208,140)	(180,944)
13	Interest expenses on loans received from international and other organizations	(7,976)	(7,119)
14	Interest expense on lease liabilities	(17,354)	(8,286)
15	Total interest expenses	(595,692)	(362,395)
16	Net interest income	514,668	540,067

Line 7 and line 15 in Note 23 corresponds to account “Interest income” and “Interest expense” in the statement of profit or loss.

Note 24. Commission income and expenses

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	2023	2022
1	2	3	4
COMMISSION INCOME:			
1	Cash and settlement services	115,406	85,273
2	Bank commission for the lease of safe deposit boxes	8,863	12,468
3	Commission income on consulting services	-	12,782
4	Commission for insurance broker services	1,160	1,180
5	Commission on Tax Free check payments	542	280
6	Transactions with securities	904	428
7	Interbank transactions with plastic cards	20,674	16,098
8	Guarantees issued	4,014	8,313
9	Other	11	8
10	Total fee and commission income	151,574	136,830
COMMISSION EXPENSE:			
11	Cash and settlement services	(50,154)	(44,733)
12	Commission for services and other commissions	(1,343)	(1,172)
13	Guarantee expenses	(2,109)	(328)
14	Services provided by payment systems and transactions with plastic cards	(13,301)	(11,670)
15	Total fee and commission expense	(66,907)	(57,903)
16	Net fee and commission income	84,667	78,927

Line 10 and Line 15 in Note 24 correspond to accounts “Commission income” and “Commission expense” in the statement of profit or loss.

Note 25. Impairment gains (losses) determined in accordance with IFRS 9

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	2023	2022
1	2	3	4
1	Profit (loss) from impairment of loans and advances to banks	(918)	(14)
2	Profit (loss) from impairment of loans and advances to customers	79,373	(267,765)
3	Return of previously written-off bad debts of loans to customers	4,538	3,852
4	Profit (loss) from impairment of investments in securities	(14)	53
5	Profit (loss) from impairment of other financial assets	1,744	(2,011)
6	Return of previously written-off bad financial assets	2	-
7	Profit (loss) from impairment of issued financial guarantees and similar contractual commitments	39,649	(28,972)
8	Impairment gains (losses) determined in accordance with IFRS 9	124,374	(294,857)

Note 26. Other income

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	2023	2022
1	2	3	4
1	Operating lease income	25	24
2	Penalties and fines received	668	981
3	Undrawn funds upon expiration of limitation period	384	2,535
4	Shortages charged to responsible employees	215	93
5	Result from disposal of investment property	141	-
6	Result from disposal of property, plant and equipment	38	-
7	Result from valuation of property, plant and equipment	45	1,723
8	Gains from recovering an advance payment for enforcement proceedings, court fees and other related costs	300	263
9	Income from lease payments discount	126	3,477
10	Income from payment systems	-	1,365
11	Result from modification of financial assets	1,019	1,293
12	Other	2,726	1,084
13	Total operating income	5,687	12,838

Line 13 in Note 26 corresponds to account “Other operating income” in the statement of profit or loss.

Note 27. Other administrative and operating expenses

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	2023	2022
1	2	3	4
1	Business trips	2,390	1,306
2	Recruitment services	32,525	45,202
3	Maintenance of property, plant and equipment and intangible assets, telecommunication, and other operation services	251,228	211,500
4	Operating lease expenses	1,547	1,229
5	Cash collection and transportation	2,017	1,517
6	Services provided by payment systems on payment cards	15,164	13,271
7	Legal services on litigations and payments to collectors	16,353	7,980
8	Professional services	18,388	13,165

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	2023	2022
1	2	3	4
9	Marketing and advertising expenses	1,994	3,536
10	Security expenses	10,965	9,264
11	Taxes other than income tax	52,654	43,305
12	Result from disposal of fixed assets	-	91
13	Costs from impairment of fixed assets	2,605	3,901
14	(Decrease) increase of provision for unconfirmed cash loss risks	(10)	2,054
15	Provision for cover risks of losses due to lawsuits	(85,664)	131
16	Other	24,917	1,306
17	Total other administrative and operating expenses	347,073	358,758

Line 16 in Note 27 corresponds to account “Other administrative and operating expenses” in the statement of profit or loss.

Line 4 “Operating lease expenses” includes lease expenses on items that do not qualify for right-of-use assets due to the short-term period of the lease and/or insignificant value of the leased asset. The amount of VAT as part of lease payments paid to the lessor and not reimbursed to the Bank in the amount of UAH 995.3 thousand (2022: UAH 904.3 thousand) is included in Article 11 “Payment of other taxes and mandatory payments other than income tax”.

Note 28. Income tax expense

Table 28.1. Income tax benefits

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Current income tax	(5,134)	-
2	Change in deferred income tax resulting from:	(864)	(13,769)
2.1	origination or write-off of temporary differences	(864)	(13,769)
2.2	increase or decrease in tax rate	-	-
3	Total income tax benefit	(5,998)	(13,769)

Line 3 in Table 28.1 corresponds to account “Income tax benefit” in the statement of profit or loss and other comprehensive income.

The Bank recognizes current income tax as a liability in the amount calculated for the reporting period in accordance with the requirements of the Tax Code of Ukraine. As of 31 December 2023 the tax rate was 50% (2022: 18%). From 1 January 2024, the income tax rate will be 25%.

Table 28.2. Reconciliation of accounting loss and taxable loss

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Profit (loss) before tax	(86,892)	(401,437)
2	Income tax at applicable tax rate	43,446	72,259
3	Effect of changes in unrecognized deferred tax assets (DTA)	(249,053)	(85,563)
4	The effect of a change in the tax rate	201,714	-
5	Permanent differences – non-deductible expenses	(2,105)	(465)
6	Income tax benefits	(5,998)	(13,769)

Table 28.2.1. Tax effects of deferred tax assets and liabilities recognised for 2023

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Balance at 1 January 2023	Recognised in profit or loss during the year	Recognised in OCI during the year	Balance at 31 December 2023
1	2	3	4	5	6
1	Tax effect of temporary differences				
1.1	Property, plant and equipment, intangible assets and investment property, net amount	(32,339)	-	(34,736)	(67,075)
1.1.1	Recognized liability	(39,545)	-	(34,736)	(74,281)
1.1.2	Recognized asset	7,206	-	-	7,206
1.2	Investment securities at fair value through comprehensive income and adjustments in the cost of financial instruments at initial recognition	864	(864)	(451)	(451)
2	Net of deferred tax asset (liability), including:	(31,475)	(864)	(35,187)	(67,526)
3	Recognized deferred tax liability (hereinafter - DTL)	(39,545)		(35,187)	(74,732)
4	Recognized deferred tax assets (hereinafter – DTA)	8,070	(864)	-	7,206

Table 28.2.2. Unrecognised deferred tax assets for 2023

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Item	Balance on 1 January 2023	Changes in unrecognised deferred tax assets at year-end 2023	Balance on 31 December 2023
1	2	3	4	5
1	Tax effect of impaired temporary differences:			
1.1	Tax losses carried forward	581,873	272,206	854,079
1.2	Provisions for commitments and other assets	24,713	(20,486)	4,227
1.3	Property, plant and equipment, intangible assets, and investment property	7,206	(2,667)	4,539
2	Total DTA (deferred tax asset)	613,792	249,053	862,845
3	Provision for impairment of deferred tax assets	(606,586)	(249,053)	(855,639)
3.1	Provision for tax losses carried forward	(574,667)	(272,206)	(846,873)
3.2	Provision for impairment of other deferred tax assets	(31,919)	23,153	(8,766)
4	Net recognized DTA (deferred tax asset)	7,206	-	7,206

Table 28.3.1. Tax effects of deferred tax assets and liabilities recognised for 2022

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Balance on 1 January 2022	Recognised in profit or loss during the year	Recognised in OCI during the year	Balance on 31 December 2022
1	2	3	4	5	6
1	Tax effect of temporary differences				
1.1	Property, plant and equipment, intangible assets and investment property, net amount	(10,149)	(13,769)	(8,421)	(32,339)
1.1.1	Recognized liability	(31,124)	-	(8,421)	(39,545)
1.1.2	Recognized asset	20,975	(13,769)	-	7,206
1.2	Investment securities at fair value through comprehensive income and adjustments in the cost of financial instruments at initial recognition	912		(48)	864
2	Net of deferred tax asset (liability), including:	(9,237)	(13,769)	(8,469)	(31,475)
3	Recognized deferred tax liability (hereinafter - DTL)	(31,124)	-	(8,421)	(39,545)
4	Recognized deferred tax assets (hereinafter – DTA)	21,887	(13,769)	(48)	8,070

Table 28.3.2. Unrecognised deferred tax assets for 2022

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Item	Balance at 1 January 2022	Changes in unrecognised deferred tax assets at year-end 2022	Balance at 31 December 2022
1	2	3	4	5
1	Tax effect of impaired temporary differences:			
1.1	Tax losses carried forward	514,029	67,844	581,873
1.2	Provisions for commitments and other assets	19,664	5,049	24,713
1.3	Property, plant and equipment, intangible assets, and investment property	8,305	(1,099)	7,206
2	Total DTA (deferred tax asset)	541,998	71,794	613,792
3	Provision for impairment of deferred tax assets	(521,023)	(85,563)	(606,586)
3.1	Provision for tax losses carried forward	(493,054)	(81,613)	(574,667)
3.2	Provision for impairment of other deferred tax assets	(27,969)	(3,950)	(31,919)
4	Net recognized DTA (deferred tax asset)	20,975	(13,769)	7,206

Note 29. (Loss)/profit per ordinary share and preference share

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Loss attributable to holders of ordinary shares	(93,047)	(415,363)
2	Profit attributable to holders of preference shares	157	157
3	Loss for the year	(92,890)	(415,206)
4	Annual average number of ordinary shares outstanding (in thousands of shares)	1,686,586	1,686,586
5	Annual average number of preference shares outstanding (in thousands of shares)	1,500	1,500
6	Basic and diluted (loss) per ordinary share (in UAH)	(0,06)	(0.25)
7	Basic and diluted profit per preference share (in UAH)	0,10	0.10

Note 30. Dividends

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	31/12/2023		31/12/2022	
		Ordinary shares	Preference shares	Ordinary shares	Preference shares
1	2	3	4	5	6
1	Balance at 1 January	-	-	-	-
2	Dividends declared for payout during the period	-	157	-	157
3	Increase in reserves due to dividends	-	(157)	-	(157)
4	Balance at the end of the period	-	-	-	-

In accordance with the shareholder's resolution no. 3/2023 dated 27 April 2023, dividends on preference shares payable for 2022 were calculated and transferred to the Bank's reserves.

Note 31. Contingent liabilities*Capital investment commitments*

As of 31 December 2023, the Bank had commitments related to the acquisition of fixed assets and intangible assets in the amount 9,608 thousand UAH. (2022: UAH 685 thousand). Potential commitments for legal actions are disclosed in Note 17.

Table 31.1. Structure of credit-related commitments as at 31 December 2023 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Undrawn credit commitments	1,392,409	1,515,948
2	Export letters of credit	168,396	275,703
3	Guarantees issued	2,110	1,947
4	Provision for credit-related commitments	(4,539)	(43,397)
5	Total credit-related commitments less provisions	1,558,376	1,750,201

Table 31.2. Changes in credit commitments for 2023

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Commitments at the beginning of the period	1,517,744	275,828	26	1,793,598
2	Increase in the amount of commitments for the year	2,171,926	53,033	121	2,225,080

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
2.1	New commitments	439,420	4	8	439,432
2.2	Increase in the amount of current commitments	1,399,373	31,263	38	1,430,674
2.3	The amount of transition between stages	156,375	-	75	156,450
2.4	Exchange rate differences	176,758	21,766	-	198,524
3	Decrease in the amount of commitments for the year	(2,126,755)	(328,861)	(147)	(2,455,763)
3.1	Commitments settled	(1,105,414)	(44,883)	(40)	(1,150,337)
3.2	Commitments that have expired	(942,040)	(108,604)	(84)	(1,050,728)
3.3	The amount of transition between stages	-	(156,427)	(23)	(156,450)
3.4	Exchange rate differences	(79,301)	(18,947)	-	(98,248)
4	Commitments at the end of the year	1,562,915	-	-	1,562,915

The Bank has outstanding loan commitments. These commitments are represented by approved loans and credit card limits on overdraft terms and credit lines. The total amount of outstanding loan commitments does not necessarily reflect future cash requirements, as such commitments may expire or be canceled without requiring funds.

Table 31.3. Changes in provisions for other commitments and contracts of financial guarantee as of 31.12.2023 and for the year ended on that date

<i>(in thousands of hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Provisions for commitments as of the beginning of the year	3,661	39,731	5	43,397
2	Increase in the amount of provision for the year	6,763	3,338	24	10,125
2.1	Provision for new commitments	1,635	-	2	1,637
2.2	Provision for increase in commitments	2,990	390	5	3,385
2.3	Increase in provisions against portfolio deterioration	700	-	1	701
2.4	Increasing of provision from the transition between stages	210	-	13	223
2.5	The amount of transition between stages	839	-	3	842
2.6	Exchange rate differences	389	2,948	-	3,337
3	Decrease in the amount of provision for the year	(5,885)	(43,069)	(29)	(48,983)
3.1	Decrease in the provision for closing commitments	(632)	(12,880)	(17)	(13,529)
3.2	Decrease of the provision for decrease of commitments	(2,145)	(910)	(6)	(3,061)
3.3	Reduction of provisions from improving the quality of the portfolio	(2,974)	(15,108)	(3)	(18,085)
3.4	Decrease of the provision from the transition between stages	-	(10,918)	(3)	(10,921)
3.5	The amount of transition between stages	-	(841)	-	(841)
3.6	Exchange rate differences	(134)	(2,412)	-	(2,546)
4	Provisions for commitments at the end of the year	4,539	-	-	4,539

Line 4 in Table 31.3 corresponds to account “Provisions for credit related commitments and financial guarantees” in the statement of financial position.

Table 31.4. Changes in credit commitments for 2022

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Commitments at the beginning of the year	2,715,562	129	6	2,715,697
2	Increase in the amount of commitments for the year	3,330,535	883,423	94	4,214,052
2.1	New commitments	861,500	9,402	6	870,908
2.2	Increase in the amount of current commitments	1,780,065	129,982	56	1,910,103
2.3	The amount of transition between stages	74	714,782	32	714,888
2.4	Exchange rate differences	688,896	29,257	-	718,153
3	Decrease in the amount of commitments for the year	(4,528,353)	(607,724)	(74)	(5,136,151)
3.1	Commitments settled	(1,701,111)	(15,022)	(41)	(1,716,174)
3.2	Commitments that have expired	(1,829,473)	(583,447)	(3)	(2,412,923)
3.3	The amount of transition between stages	(714,782)	(76)	(30)	(714,888)
3.4	Exchange rate differences	(282,987)	(9,179)	-	(292,166)
4	Commitments at the end of the year	1,517,744	275,828	26	1,793,598

Table 31.5. Changes in provisions for other commitments and contracts of financial guarantee as of 31.12.2022 and for the year ended on that date

<i>(in thousands of hryvnias)</i>					
Line	Item	Stage 1	Stage 2	Stage 3	Total
1	2	3	4	5	6
1	Provisions for commitments as of the beginning of the period	9,417	3	1	9,421
2	Increase in the amount of provisions for the period	11,957	98,029	15	110,001
2.1	Provision for new commitments	3,794	735	1	4,530
2.2	Provision for increase in commitments	5,777	15,924	4	21,705
2.3	Increasing of provision from the transition between stages	26	73,818	5	73,849
2.4	The amount of transition between stages	-	3,451	5	3,456
2.5	Exchange rate differences	2,360	4,101	-	6,461
3	Decrease in the amount of provisions for the period	(17,713)	(58,301)	(11)	(76,025)
3.1	Decrease in the provision for closing commitments	(3,842)	(24,397)	(1)	(28,240)
3.2	Decrease of the provision for decrease of commitments	(9,285)	(33,577)	(5)	(42,867)
3.3	Decrease of the provision from the transition between stages	-	(3)	(2)	(5)
3.4	The amount of transition between stages	(3,451)	(2)	(3)	(3,456)
3.5	Exchange Rate differences	(1,135)	(322)	-	(1,457)
4	Provisions for commitments at the end of the period	3,661	39,731	5	43,397

Table 31.6. Credit-related commitments by currencies (including provisions)

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	UAH	459,611	470,222
2	USD	-	-
3	EUR	1,098,765	1,279,978

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
4	Total	1,558,376	1,750,200

Note 32. Financial risk management

The Bank manages its risks using a risk management system which is comprehensive, adequate and effective. The risk management system was designed by reference to the specifics of business, business model, nature and scope of operations, risk profile, effective Ukrainian legislation, requirements and recommendations of the NBU, best practices, internal regulations and instructions of the Parent company, the Bank.

The risk management system provides a continuous analysis of risks with the aim of achieving an optimal balance between risk appetites and business strategy, improving the process of making timely and adequate management decisions regarding emerging risks and their mitigation, reducing losses by controlling the ratio of risk management costs and costs, which may be incurred as a result of the impact of such risks, ensuring the functioning of an effective risk management process, a clear demarcation of functions and tasks of all divisions of the Bank using the model of three lines of protection.

The risk management system includes the definition of the organizational structure with the segregation of three lines of defense within the framework of individual processes, a system of internal documents on risk management matters, an information system and directly management tools.

The risk management department is one of the separate structural subdivisions that ensure the Bank's risk management. The Bank's system of internal documents establishes the principles of the risk management system by defining processes, limits, relevant functions, and responsibilities. The documents also specify the risk limits and the principles of risk acceptance in terms of types of activities, and determine the necessary actions in case of exceeding the limits.

The Bank has a risk management system, which consists of the permanent Risk Management Committee of the Supervisory Board and the Bank's Management Committee: Credit Committee, Credit Risk Management Committee, Non-Performing Assets Management Committee, Assets and Liabilities Management Committee, Operational Risk Management Committee, Tender Committee, Environmental, Social and Management Committee, Change Management Committee, Information Security Management Committee and Crisis Management Committee.

In the process of risk management, the Bank identifies the following essential types of risks, including financial risks inherent in its operations: credit risk, liquidity risk, interest rate risk of the banking book, market risk, and non-financial risks: operational risk and compliance risk.

Management of financial risks and operational risk is controlled by the risk management department; the management of compliance risks and related controls is provided by the Department of Compliance and Anti-Money Laundering.

To reduce the negative impact of financial risks and operational risk on the Bank's activities, the risk management department performs the following actions:

- regularly updates internal documents;
- monthly monitors the level of risk appetites and limits established by the Bank and signals the need for an escalation process;
- conducts a stress test at least once a quarter;
- analyzes new products and services from the point of view of risk impact;
- carries out timely and complete preparation of risk reporting for the Bank's corporate bodies in accordance with the periodicity and reporting forms established by the relevant internal documents.

One of the Bank's main risks in 2023 is the external political risk associated with Russia's attack on the territory of Ukraine. The main risk factors: loss of human resources and material values due to waging a full-scale war; the availability of loans and the placement of their collateral in regions where active hostilities are taking place.

In order to minimize and avoid excessive risks due to risk factors caused by war, the Bank operates in conditions of ensuring business continuity, namely: continuous communication with employees, their removal from active combat zones to guarantee their safety and the ability to support the Bank's work and access to all necessary services for clients; closure of branches in the most dangerous areas (to minimize the risk of loss of human resources and material values); constant monitoring of loan collateral (if possible), constant analysis of the quality of the loan portfolio (if possible), work with problem borrowers (if possible), introduction of "credit holidays".

Credit risk

Credit risk is the probability of losses or additional losses or failure to receive planned income as a result of the debtor's/counterparty's failure to fulfill the obligations assumed in accordance with the terms of the contract.

Credit risk arises from all active banking operations, with the exception of debt securities and other financial instruments in the Bank's trading book.

Credit risk is contained in all types of activities where the outcome depends on the activities of the contractor, issuer or borrower. This occurs every time the Bank pays funds, commits to their submission, invests funds or otherwise risks them in accordance with the terms of actual or notional agreements, regardless of whether the transaction is on-balance sheet or off-balance sheet.

The Bank calculates the amount of credit risk by assets on an individual or group basis.

The Bank includes active operations with counterparties as types of operations that cause credit risk: customer loans, bank loans, securities, receivables, guarantees, letters of credit, overdrafts.

The objective of credit risk management is to maximize the Bank's risk-adjusted rate of return by keeping credit risk within acceptable parameters and ensuring that risk decisions made within the organization are within and consistent with the nature and level of risk that stakeholders in the organization are ready to take over. The Bank manages the credit risk inherent in the entire portfolio, as well as the risk in individual loans or operations.

The Bank combines financial assets with similar characteristics into groups with similar characteristics, in particular:

- 1) purpose;
- 2) type of product;
- 3) size, which is applied to loans that are combined in:
 - groups of loans granted to borrowers - legal entities (except for borrowers – managing organizations for condominiums, housing complexes);
 - groups of loans granted to borrowers - individuals, for which mortgage items are collateral;
 - groups of loans granted to borrowers - individuals, for which purchased vehicles are collateral;
 - groups of loans granted to borrowers - individuals, secured by other types of collateral;
 - groups of loans granted to borrowers - individuals, unsecured.
- 4) the materiality of the amount of individual claims (the maximum amount of debt for several loans of one borrower/counterparty included in the group cannot exceed the limit established for the corresponding group);

5) frequency and amount of debt payment by the borrower, which are determined by the terms of the loan agreement.

Individual credit risk is the risk of a specific borrower/counterparty of the Bank. The assessment of individual credit risk involves the assessment of creditworthiness of an individual debtor/counterparty, i.e. their individual ability to settle the obligations assumed in full and on schedule.

To reduce credit risk, a system of types and conditions of credit operations is used regarding terms, borrowers, security, interest rates and methods (methods) of their accrual, limitation, diversification of the credit portfolio, creation of reserves, monitoring and control of risks.

In order to mitigate the impact of credit risk on the Bank, in addition to the already defined actions, the risk management department performs the following actions:

- monthly monitoring of the loan portfolio quality depending on the number of days of default:
 - borrowers or groups of related counterparties;
 - borrowers with a joint business activity;
 - borrowers from the same geographical region;
 - credit products;
- monitors on a monthly basis the structure of loan charges/receivables;
- on a monthly basis monitors the adequacy of the Bank's loan loss provisions in line with the requirements of the IFRS and the level of credit risk in line with the requirements of the NBU;
- monthly analysis of PL/NPL loan portfolio movements and reserves in main currencies (UAH, USD, EUR);
- develops credit risk management schemes based not only on national standards but also on international practice.

The credit risk factor is the presence of overdue debt and accrued outstanding income. In 2023, work with clients continues for greater repayment of problematic debt, which reduces the level of existing risk and negative impact on the Bank's regulations, and there was also a return to regular revaluations of the collateral value; current restrained and selective lending to the corporate and retail segments with strict credit risk control.

The Risk Management Department is responsible for the development of certain high-level internal documents necessary to ensure effective credit risk management: policies, guidelines and basic documents (methodologies, implementation procedures, etc.). High-level documents should include goals, organizational process, forms and frequency of reporting, risk-appetites and limits, as well as the escalation process, and must be approved by the relevant collegial body. The main documents must also be approved by the relevant collegial body. The Bank can combine internal documents in one or more. Credit write-offs are regulated by relevant internal documents.

The carrying amount of items in the statement of financial position, including derivative financial instruments, best reflects the maximum credit risk for such items. For financial instruments recorded at fair value, their carrying value reflects the current, and not the maximum amount of credit risk, which may change in the future due to changes in value.

Credit risk is calculated in the following main areas: loans, receivables, banks, securities, government securities.

Government securities are characterized by low credit risk. The assessment of the calculation of provisions for domestic government bonds, the NBU's Certificates of Deposit and Correspondent Account with the

NBU is based on the risk parameters from the rating agencies "Fitch Ratings" and "Moody's Investors Service", namely according to the following algorithm:

$$\text{Provisions} = PD_n * LGD * EAD$$

Taking into account the fact that the liabilities in hryvnia of the National Bank of Ukraine and the Central Authorities of Ukraine are secured by the state and also the fact that the NBU considers them as risk-free hryvnia assets, the Bank annually assesses provisions for these assets in hryvnia, but does not recognise them in accounting.

Market risk

Market risk is the probability of losses or additional losses or failure to receive planned income as a result of unfavorable changes in foreign currency exchange rates, interest rates, and the cost of financial instruments. It can also be defined as the risk of losses on balance sheet and off-balance sheet positions arising as a result of adverse changes in market prices. From a regulatory point of view, market risk arises from all positions included in the banks' trading book, as well as from commodity and currency risk positions throughout the balance sheet.

The Bank is exposed to market risk arising from open positions sensitive to changes in interest rates, exchange rates and other market risk factors, which largely depend on general and specific market changes. This is the risk that the fair value or future cash flows of financial instruments will change due to fluctuations in market variables such as interest rates, currency exchange rates and security yields.

The purpose of market risk management is to keep the impact of the Bank's market risk within self-established parameters within the range of possible changes in the market, for example, the exchange rate, the market price of instruments, etc.

In order to reduce the impact of market risk on the Bank, in addition to the already defined actions, the risk management department performs the following actions:

- daily monitors the level of the open currency position;
- daily forecasts the value of the open currency position and its relation to the regulatory capital;
- daily analyzes market changes taking into account the dynamics of exchange rates and market prices for securities;
- daily assesses market risk by calculating value at risk (VaR) for currency and commodity risks;
- establishes the relationship between the quantitative assessment of market risk and the Bank's profit.

The risk management department is responsible for the development of separate high-level internal documents necessary to ensure effective market risk management: policies, guidelines and basic documents: methodologies, implementation procedures, etc. High-level documents should include objectives, organizational process, reporting forms and frequency, risk appetites and limits, and an escalation process, and should be approved by the relevant collegial body. The main documents must also be approved by the relevant collegial body. The Bank can combine internal documents in one or more. The Bank should develop documents for managing the market risk of the trading book only if such transactions are planned, and in advance before their implementation.

Currency risk

Currency risk arises due to adverse fluctuations in foreign exchange rates affecting assets, liabilities and off-balance sheet positions contained in the Bank's trading and banking books.

The Bank's main approach and tool for currency risk management is limiting. The Bank applies this tool by setting risk appetites and limits:

- on the ratio of value at risk (VaR) to regulatory capital (it was observed: as of 31/12/2023 with a value of 0.08%, risk appetite is 16%, as of 31/12/2022 – 0.18%, risk appetite – 1%);
- to the total open currency position of the Bank, in accordance with the normative requirements of the NBU regarding regulatory capital (it was observed: as of 31/12/2023, the value of the total short open currency position of the Bank is 1% and the total long open currency position of the Bank is 0.27%, limit < 5% for the total short and long open currency position, as of 31/12/2022 – 2.46% and 0.56%, respectively, limit < 5% for total short and long open currency position);
- the internal limits of the currency position in terms of currencies were observed for US dollars and euros separately and for the total open currency position of the Bank in absolute terms for all currencies.

The system of internal limits makes it possible to comprehensively and adequately manage the amount of currency risk using the principles of risk management adopted by the Bank. For currency risk management, the Bank has established a general risk appetite, and limits in accordance with the requirements of the NBU. Such limits are necessary to prevent unexpected losses from significant fluctuations in exchange rates.

The currency risk factor is the dependence on fluctuations in the exchange rate of foreign currencies. The Bank's impact: control over the open currency position, achieving the maximum possible size of the “closed” position, taking into account the specifics of the calculations implemented by the NBU during 2022 and the transition to the regime of managed flexibility of the exchange rate in October 2023.

Table 32.1. Currency risk analysis

<i>(in thousands of Ukrainian hryvnias)</i>							
Line	Currency	31/12/2023			31/12/2022		
		Monetary assets	Monetary liabilities	Net position	Monetary assets	Monetary liabilities	Net position
1	2	3	4	5	6	7	9
1	USD	1,896,065	1,991,017	(94,952)	2,198,916	2,318,765	(119,849)
2	EUR	1,257,511	1,261,127	(3,616)	1,411,236	1,444,599	(33,363)
3	GBP	4,315	4,214	101	3,145	3,656	(511)
4	Other	18,667	19,233	(566)	20,384	16,835	3,549
5	Total	3,176,558	3,275,591	(99,033)	3,633,681	3,783,855	(150,174)

Table 32.2. Sensitivity of profit or loss and equity to potential changes in official UAH exchange rates as at the reporting date, assuming that all other variables remain constant

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Weighted average FX rate at 31/12/2023		Weighted average FX rate at 31/12/2022	
		effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
1	2	3	3	3	6
1	USD strengthening by 20 %	(18,286)	(18,286)	(23,970)	(23,970)
2	USD weakening by 20 %	18,286	18,286	23,970	23,970

<i>(in thousands of Ukrainian hryvnias)</i>					
Li- ne	Item	Weighted average FX rate at 31/12/2023		Weighted average FX rate at 31/12/2022	
		effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
1	2	3	3	3	6
3	EUR strengthening by 20 %	(678)	(678)	(6,673)	(6,673)
4	EUR weakening by 20%	678	678	6,673	6,673
5	GBP strengthening by 20%	19	19	(102)	(102)
6	GBP weakening by 20%	(19)	(19)	102	102
7	Strengthening of other currencies by 20%	(117)	(117)	710	710
8	Weakening of other currencies by 20%	117	117	(710)	(710)

Interest rate risk in the banking book

The interest rate risk factor is the dependence on fluctuating interest rates on financial instruments. The Bank pursues a balanced policy to achieve a balance between assets and liabilities.

Interest rate risk of the banking book is the probability of losses or additional losses or failure to receive planned income as a result of the impact of adverse changes in interest rates on the banking book. It refers to the current or anticipated risk to the Bank's capital and income arising from adverse changes in interest rates that affect the bank's book position. When interest rates change, the current value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and therefore its economic value (EVE). Changes in interest rates also affect the Bank's income by changing interest rate-sensitive income and expenses, which affects net interest income (NII).

The purpose of interest rate risk management of the banking book is to keep the impact of the Bank's interest rate risk within self-established parameters within the range of possible changes in interest rates.

In order to reduce the impact of interest rates on the Bank's activities, in addition to the already defined actions, the risk management department performs the following actions:

- conducts a monthly GAP analysis of interest-bearing assets and liabilities;
- performs a monthly analysis of the dynamics of yield curves in major currencies (hryvnia, dollar, euro);
- monthly assesses the interest rate risk of the banking book by calculating offsets for:
 - the economic value of EVE's capital according to the approach of the Parent Company - an increase in the yield curve by 100 bp. (the value of the Bank was observed within the framework of the established risk appetites (RAF): as of 31/12/2023, the value is -0.28 million euros, the risk appetite is +1.5 / -4 million euros; as of 31/12/2022, it is - 0.75 million euros, the risk appetite is +1.5 / -4 million euros);
 - net interest income of NII according to the approach of the Parent Company – a negative result for an increase / decrease of the yield curve by 50 bp. (the value of the Bank was observed within the framework of the established risk appetites (RAF): as of 31/12/2023 the value is -0.06 million euros, the risk appetite is < -1 million euros; as of 31/12/2022 it is -0.11 million EUR, risk appetite is < -1 million EUR);
 - the economic value of EVE's capital and NII's net interest income according to the NBU's approach - the maximum negative shift (the Bank's value was respected within the framework of established risk appetites (RAS));

- performs a monthly analysis by terms and individual currencies (the value of the Bank was observed within the established limits);
- establishes the ratio of the quantitative assessment of the interest rate risk of the banking book (the maximum negative value calculated according to the NBU approach) for NII with the Bank's profit (it was observed: as of 31/12/2023 the value is 21.35%, the limit is <35%; as of 31/12/2022 is 4.54%, the limit is <25%) and for EVE to the regulatory capital of the Bank (it was observed: as of 31/12/2023 the value is 0.80%, the limit is <35%; as of 31/12/2022 it is 3.85 %, the limit is <35%).

The Risk Management Department is responsible for the development of separate high-level internal documents necessary to ensure effective interest rate risk management of the banking book: policies, guidelines and basic documents: methodologies, implementation procedures, etc. High-level documents should include objectives, organizational process, reporting forms and frequency, risk appetites and limits, as well as an escalation process, and should be approved by the relevant collegial body. The main documents must also be approved by the relevant collegial body. The Bank can combine internal documents in one or more.

Table 32.3. General analysis of the interest rate risk

In the general analysis of interest rate risk as of 31 December 2023, and 2022, financial assets and financial liabilities that are not sensitive to interest rate changes are not taken into account, namely: funds of the Bank's mandatory reserves at the National Bank of Ukraine; other financial assets; other financial obligations.

For financial instruments sensitive to interest rate changes and presented in the Bank's balance sheet, fixed and floating rates are provided, which are reviewed in accordance with the contracts concluded with clients and in accordance with the Bank's internal procedures.

Floating rates are provided only for a small part of financial assets in hryvnia (Loans and advances to customers, in particular long-term loans to individuals), only fixed rates are provided for all other financial assets and liabilities.

The impact of a change in financial instruments sensitive to changes in the interest rate is assessed by calculating monthly shifts for the economic value of capital (EVE) and net interest income (NII).

According to the approach of the Parent Company:

- for the EVE method, it is assumed that long-term financial instruments have the greatest influence. The interest rate change scenarios for the Bank are considered as follows: with the current distribution of assets and liabilities, there is a decrease in the economic value of capital when the yield curve increases by 100 bps;
- for the NII method, which considers financial instruments with a term of up to 1 year, it is assumed that the most influential are financial instruments on demand. The interest rate change scenarios for the Bank are considered as follows: with the current distribution of assets and liabilities, net interest losses are observed when the yield curve increases by 50 bp.

According to the NBU's approach, the maximum negative value from 4 mandatory and 2 additional scenarios is considered (the Bank considers all 6 scenarios). If there is a positive change in the value of a single currency, which leads to a decrease in the value of all currencies, this currency is taken into account in the amount of only 50%:

- for the EVE method, it is assumed that financial instruments with the most significant duration have the greatest influence. The interest rate change scenarios for the Bank are considered as follows: with the current distribution of assets and liabilities, there is a decrease in the economic value of capital with an increase in the yield curve for various scenarios for the local currency (hryvnia) and with a decrease/increase in the yield curve for US dollars and euros (depending on the specifics of a particular scenario), in general the local currency has the greatest impact;

- for the NII method, which considers financial instruments with a term of up to 1 year, it is assumed that the most influential are financial instruments with the shortest terms, and demand funds and instruments with an overnight term have no influence due to the peculiarity of their inclusion. The interest rate change scenarios for the Bank are considered as follows: with the current distribution of assets and liabilities, net interest losses are observed when the yield curve increases for various scenarios for the local currency (hryvnia) and when the yield curve decreases for US dollars and euros, as a result the local currency has the biggest impact.

As stated above, during 2023 and 2022, the Bank adhered to the established risk appetites and limits determined within the framework of the EVE and NII methods.

<i>(in thousands of Ukrainian hryvnias)</i>						
Line	Item	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than a year	Total
1	2	3	4	5	6	7
31/12/2023						
1	Total financial assets	3,542,667	2,355,252	107,455	848,958	6,854,332
2	Total financial liabilities	7,627,313	1,660,621	86,553	380,799	9,755,286
3	Net interest rate gap at the end of the period	(4,084,646)	694,631	20,902	468,159	(2,900,954)
31/12/2022						
4	Total financial assets	4,237,242	1,256,076	223,268	1,501,282	7,217,868
5	Total financial liabilities	7,331,569	943,818	117,232	444,499	8,837,118
6	Net interest rate gap at the end of the period	(3,094,327)	312,258	106,036	1,056,783	(1,619,250)

Table 32.4. Monitoring of interest rates on financial instruments;

(%)									
Line	Item	31/12/2023				31/12/2022			
		UAH	USD	EUR	other	UAH	USD	EUR	other
1	2	3	4	5	6	7	8	9	10
Assets									
1	Cash and cash equivalents	-	-	-	-	-	-	-	-
2	Loans and advances to banks	-	-	5.52	-	-	-	1.96	-
3	Loans and advances to customers	14.57	7.04	5.42	-	14.48	4.75	3.73	-
4	Investments in securities at amortised cost	15.00	-	-	-	23.00	-	-	-
5	Investments in securities at FVOCI	18.51	-	-	-	-	-	-	-
Liabilities									
6	Due to customers								
6.1	current accounts	1.78	0.01	-	-	0.69	0.01	-	-
6.2	term deposits	12.28	1.32	0.62	-	16.06	0.86	0.49	-

Other price risk

For the Bank, another price risk arises when investing funds in securities. Investments in securities are carried out within the established limits. Approval of limits for transactions with securities is carried out by the relevant committee of the Parent Company. Limits are established by issuers and individual issues of securities. Limits are set for a limited period of time, after which they are subject to review.

The issue of the need to set limits is initiated by the treasury and stock markets department of the main financial administration. The risk management department prepares conclusions about the possibility of setting such limits, after which the appropriate materials are submitted for consideration to the relevant committee of the Parent Company. After receiving approval, the internal document with the specified limits is approved at the Bank level.

Monitoring of compliance with established limits is carried out on an ongoing basis by the risk management department.

The assessment of other price risk is carried out within the limits of other types of risk. During 2023 and 2022, the Bank adhered to the established limits for investing in securities by issuers and individual issues of securities.

Geographic risk

Geographical risk is determined by the specificity of a certain administrative or geographical area, which is characterized by conditions different from the average conditions of the country as a whole. The differences may relate to climatic, national, political, legislative and other features of the region, which affect the borrower's condition and are a component of credit risk.

The concentration of assets and liabilities by region is given in tables 32.5, 32.6.

Table 32.5. Analysis of geographic concentration of financial assets and financial liabilities as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
Assets					
1	Cash and cash equivalents	1,701,521	1,716,701	817	3,419,039
2	Loans and advances to banks	-	133,374	-	133,374
3	Loans and advances to customers	2,021,681	1	4,708	2,026,390
4	Investments in securities	3,828,098	789,026	-	4,617,124
5	Other financial assets	76,476	967	-	77,443
6	Total assets	7,627,776	2,640,069	5,525	10,273,370
Liabilities					
7	Due to customers	8,962,900	153,924	10,121	9,126,945
8	Debt securities issued by the Bank	1	-	-	1
9	Other borrowed funds	-	432,431	-	432,431
10	Other financial liabilities	188,271	6,312	1,325	195,908
11	Total liabilities	9,151,172	592,667	11,446	9,755,285
12	Net balance sheet position	(1,523,396)	2,047,402	(5,921)	518,085

Table 32.6. Analysis of geographic concentration of financial assets and financial liabilities as of 31 December 2022

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
Assets					
1	Cash and cash equivalents	444,808	1,963,482	986	2,409,276

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
2	Loans and advances to banks	-	132,464	-	132,464
3	Loans and advances to customers	3,689,805	-	5,046	3,694,851
4	Investments in securities	3,344,212	-	-	3,344,212
5	Other financial assets	45,833	503	5	46,341
6	Total assets	7,524,658	2,096,449	6,037	9,627,144
Liabilities					
7	Due to customers	8,059,464	82,012	74,299	8,215,775
8	Debt securities issued by the Bank	1	-	-	1
9	Other borrowed funds	-	449,191	-	449,191
10	Other financial liabilities	166,478	4,038	1,635	172,151
11	Total liabilities	8,225,943	535,241	75,934	8,837,118
12	Net balance sheet position	(701,285)	1,561,208	(69,897)	790,026

Liquidity risk

Liquidity risk is the probability of losses or additional losses or failure to receive planned income as a result of the Bank's inability to finance the growth of assets and/or fulfill its obligations in due time. It is also defined as the risk of the Bank not being able to fulfill its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or to liquidate its assets (market liquidity risk).

The types of operations causing liquidity risk are defined as active and passive operations with different maturities, which cause gaps in the time ranges of cash flows.

The purpose of liquidity risk management is to provide a high degree of confidence that the Bank has the ability to both meet its daily liquidity obligations and withstand a period of liquidity stress affecting both secured and unsecured funding, the source of which may be a particular bank or the entire market.

Liquidity management is carried out by the Department of Treasury and Stock Markets. Liquidity risk management is controlled by the risk management department.

Tasks of liquidity risk management within the operating day:

- ensuring that the Bank has sufficient funds to cover planned and unplanned liquidity needs;
- ensuring the execution of banking operations in accordance with established limits, procedures and rules;
- compliance with the requirements of the NBU regarding liquidity standards, mandatory reserve norms, etc.

The process of liquidity management within the operating day is managed by the department of treasury and stock markets of the main financial department. And the liquidity risk management process is managed by the treasury and stock markets department of the main financial department and the risk management department.

The term liquidity management process is carried out by the treasury and stock markets department of the main financial department and the risk management department.

The liquidity risk factor is certain inconsistencies between the terms of attracting funds from clients and the placement of the Bank's resources, which is caused by the market situation and the structure of the Bank's balance sheet, and the instability of the resource base of the banking system. The influence of the Bank is the control of liquidity gaps, attracting funds from clients, investing in highly liquid assets, and a balanced lending policy.

In the conditions of martial law, the Bank pays considerable attention to ensuring the necessary amount of liquid funds, sufficient both to meet the requirements of the NBU regarding liquidity, and to provide effective customer service.

Thus, as of 31 December 2023, the volume of funds (cash, funds on a correspondent account with the NBU and on correspondent accounts in other banks) amounted to UAH 3,447 million. equivalent, or 32% of the total volume of the Bank's assets, the volume of high-quality liquid securities (certificates of deposit of the National Bank of Ukraine, government securities and debt securities of government bodies of the G-7 countries with ratings of the world's leading rating agencies not lower than "AA-"/"Aa3") – UAH 4,598 million (by nominal value), or 42% of the Bank's total assets.

As of December 31, 2022, the amount of cash amounted to UAH 2,419 million. equivalent, or 24% of the total volume of the Bank's assets, the volume of high-quality liquid securities (certificates of deposit of the National Bank of Ukraine) – 3,340 million UAH (by nominal value), or 33% of the total volume of the Bank's assets.

In order to reduce the impact of liquidity risk on the Bank, in addition to the already defined actions, the risk management department carries out the following actions:

- performs daily analysis of high-quality liquid assets (HQLA) and their trends;
- performs weekly: analysis of short-term cash flows (detailed distribution up to 3 months); calculation of LCR according to the approach of the parent company; analysis of daily changes in funding in terms of amounts, type of clients and their residency;
- monthly assesses liquidity risk by calculating LCR and NSFR (Net Stable Funding Ratio) (risk appetites and internal limits are observed by the Bank):
 - as of 31/12/2023 LCR was 324%, risk appetite is 110% and early warning limits (EWL) – 120% (as of 31/12/2022 LCR was 372%, risk appetite is 110% and EWL – 120%);
 - as of 31/12/2023, NSFR was 250%, risk appetite is 102.5%, and EWL is 104% (as of 31/12/2022, NSFR was 160%, risk appetite is 102%, and EWL is 104%);
- calculates NBU liquidity indicators daily/every 10 days:
 - daily LCR standard in all currencies (the value of the Bank within the established regulatory values: as of 31/12/2023, the value is 222.4%, the limit is >100%; as of 31/12/2022, it is 176.3%, the limit is >100%);
 - daily LCR standard in foreign currencies (the Bank's value within the established regulatory values: as of December 31, 2023, is 663.1%, the limit is >100%; as of December 31, 2022, it is 293.6% with a limit >100%);
 - the NSFR standard in all currencies every decade (the Bank's value within the established regulatory values: as of 31/12/2023 is 200.9%, the limit is >100%; as of 31/12/2022 is 123.6%, the limit is >90%);
 - the NSFR standard in foreign currencies and the NSFR standard in hryvnia every decade (calculated every decade without the normative value of the limit set by the NBU);
- monthly conducts GAP analysis based on contractual cash flows (GAP analysis is carried out to analyze the possibility of compliance with NBU regulatory values, risk appetites, internal limits in order to forecast the possibility of ensuring high-quality work of the Bank);
- daily monitors internal concentration limits established by relevant internal documents.

Control of liquidity management is carried out by the department of treasury and stock markets of the main financial department. Liquidity management takes place with the participation of the Assets and Liabilities

Management Committee, the Risk Management Department, the Chief Financial Department, the Chief Department of Retail Business, the Chief Department of Corporate Business and the Parent Company.

Liquidity management in crisis circumstances, caused by the deterioration of the Bank's financial condition, is outlined in the Liquidity Management Plan in emergency situations (hereinafter - CLP).

The purpose of the CLP is to protect the Bank's assets and, at the same time, guarantee the continuity of operations in conditions of extreme liquidity need, ensures:

- identification of early warning signals, their constant monitoring and determination of procedures to be implemented in situations of liquidity stress;
- the legality of the work of the management responsible for liquidity management in emergency situations, which should be able to quickly and sometimes radically change the structure of the balance sheet of assets and liabilities;
- definition of the strategies and measures for dealing with liquidity emergencies (Contingency Funding Plan – CFP).

An early warning scorecard is developed at the individual level by the risk management department in cooperation with other relevant functions of the Bank and CLP is monitored on a daily basis by the risk management department. The adequacy of these indicators and their combinations should be evaluated at least annually.

The parties responsible for liquidity risk monitoring and management are obliged to immediately report any situations of potential danger, even if it is not detected by a certain system of early warning indicators.

It is noted that the Contingency Liquidity Management Plan (CLP) is part of the Crisis Management Plan adopted by the Bank and the Parent Company and it represents the first step in the escalation process to manage a potential liquidity crisis. To this end, the CLP Early Warning Scorecard is designed to highlight potential deterioration in a company's liquidity while predicting recovery performance triggers.

During the activation of the Recovery Plan, the Bank activates both the already planned CLP management measures – even if of a different duration and size – and other possible follow-up mitigation measures.

Daily monitoring of CLP indicators ensures constant supervision of the effective functioning of early warning signals and their combination in relation to market events and trends.

The Risk Management Department is responsible for monitoring the early warning indicators for CLP and reporting the status daily to the relevant members of the competent authorities. More detailed information is defined in the relevant internal document.

The risk management department is responsible for the development of separate high-level internal documents necessary to ensure effective liquidity risk management: policies and guidelines and basic documents: methods, implementation procedures, etc. High-level documents should include objectives, organizational process, reporting forms and frequency, risk appetites and limits, and an escalation process, and should be approved by the relevant collegial body. The main documents must also be approved by the relevant collegial body. The Bank can combine internal documents in one or more.

Table 32.7. Analysis of financial liabilities by maturities as of 31 December 2023

Payment periods for undiscounted cash flows (including interest payments) under financial obligations under contracts as of 31 December 2023, are presented as follows:

<i>(in thousands of Ukrainian hryvnias)</i>							
Line	Item	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
1	2	3	4	5	6	7	8
1	Due to customers	7,516,708	1,216,444	438,403	1	-	9,171,556
1.1	due to individuals	2,394,073	634,861	244,530	1	-	3,273,465
1.2	other	5,122,635	581,583	193,873	-	-	5,898,091
2	Debt securities issued by the Bank	1	-	-	-	-	1
3	Other borrowed funds	-	-	92,996	358,767	-	451,763
4	Other financial liabilities	211,800	5,905	22,478	35,869	1,083	277,135
5	Undrawn credit lines	1,389,119	-	-	-	-	1,389,119
6	Financial guarantees	-	-	2,089	-	-	2,089
7	Other credit-related commitments	-	10,518	135,991	20,659	-	167,168
8	Total potential future payments under financial liabilities	9,117,628	1,232,867	691,957	415,296	1,083	11,458,831

Table 32.8. Analysis of financial liabilities by maturities as of 31 December 2022

Payment periods for undiscounted cash flows (including interest payments) for financial obligations under contracts as of December 31, 2022, are presented as follows:

<i>(in thousands of Ukrainian hryvnias)</i>							
Line	Item	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
1	2	3	4	5	6	7	8
1	Due to customers	7,243,230	842,814	183,389	1,227	-	8,270,660
1.1	due to individuals	2,914,871	102,040	62,743	1,227	-	3,080,881
1.2	other	4,328,359	740,774	120,646	-	-	5,189,779
2	Debt securities issued by the Bank	1	-	-	-	-	1
3	Other borrowed funds	-	-	48,064	344,154	82,857	475,075
4	Other financial liabilities	197,751	5,864	22,224	35,013	122	260,974
5	Undrawn credit lines	1,510,728	-	-	-	-	1,510,728
6	Financial guarantees	-	-	1,926	-	-	1,926
7	Other credit-related commitments	38,912	9,492	86,599	102,544	-	237,547
8	Total potential future payments under financial liabilities	8,990,622	858,170	342,202	482,938	82,979	10,756,911

Table 32.9. Analysis of financial assets and liabilities based on contractual maturities as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>							
Li- ne	Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
Assets							
1	Cash and cash equivalents	3,419,039	-	-	-	-	3,419,039
2	Loans and advances to banks	133,374	-	-	-	-	133,374
3	Loans and advances to customers	552,992	334,083	290,358	358,096	490,861	2,026,390
4	Investments in securities	2,779,180	1,048,932	789,012	-	-	4,617,124
5	Other financial assets	77,121	322	-	-	-	77,443
6	Total financial assets	6,961,706	1,383,337	1,079,370	358,096	490,861	10,273,370
Liabilities							
7	Due to customers	7,493,566	1,200,010	433,368	1	-	9,126,945
8	Debt securities issued by the Bank	1	-	-	-	-	1
9	Other borrowed funds	-	-	86,447	345,984	-	432,431
10	Other financial liabilities	133,746	5,023	22,325	34,680	134	195,908
11	Total financial liabilities	7,627,313	1,205,033	542,140	380,665	134	9,755,285
12	Net liquidity gap as of 31 December	(665,607)	178,304	537,230	(22,569)	490,727	518,085
13	Cumulative liquidity gap as of 31 December	(665,607)	(487,303)	49,927	27,358	518,085	-

Maturity analysis does not reflect the historical stability of customers' current accounts. The closing of such accounts takes place over a longer period of time than indicated in the tables above. These balances are included in amounts due on demand and less than one month.

The cumulative liquidity gap at the end of the day on 31 December 2023, and 2022 arises mainly because, given the current situation in the country, individuals and legal entities do not invest funds for the long term, but mostly place funds on demand, accordingly, there is no practical possibility to avoid the data as a whole gaps.

The gap in liquidity arises due to the attraction of short-term funds of clients, namely funds on demand. However, the Bank does not use these funds for lending to clients. The Bank invests these funds in government securities and NBU certificates of deposit, which are highly liquid assets; they are displayed by maturity (in the case of significant outflows of clients' funds, these assets can be easily converted into cash at any moment of time), therefore, in the period from 1 month (31 December 2022 - 3 months), a positive value of the net liquidity gap is observed.

The Bank uses term funds of clients (in hryvnias and foreign currency) for lending to clients.

Since the Bank invests free liquidity in hryvnia in highly liquid assets (government securities and NBU certificates of deposit, which are carried out by maturity), for the purposes of calculating the liquidity gap, highly liquid assets can be considered as demand assets. The Bank also has foreign currency investments in highly liquid assets (debt securities of government agencies of the G-7 countries with ratings of the world's leading rating agencies not lower than "AA-"/"Aa3"). Thus, as of 31 December 2022, for the purposes of calculating the liquidity gap, highly liquid assets were treated as demand assets, as the Bank had investments only in the NBU's certificates of deposit with a maturity on demand (overnight); As of 31 December 2023,

the Bank invested in the NBU's certificates of deposit (overnight and maturing up to 3 months), domestic government debt securities, and debt securities of government agencies of the G-7 countries. As of 31 December 2023, the liquidity gap, taking into account highly liquid assets, for funds maturing up to 1 month is UAH 1,172,337 thousand (31 December 2022: UAH 685,051 thousand).

Taking into account the above, the Bank does not see the existence of a significant liquidity risk due to liquidity gaps. This situation is controlled and does not lead to violation of liquidity standards.

Table 32.10. Analysis of financial assets and liabilities based on contractual maturities as of 31 December 2022

(in thousands of Ukrainian hryvnias)							
Li- ne	Item	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
Assets							
1	Cash and cash equivalents	2,409,276	-	-	-	-	2,409,276
2	Loans and advances to banks	132,464	-	-	-	-	132,464
3	Loans and advances to customers	714,259	734,060	745,250	875,818	625,464	3,694,851
4	Investments in securities	3,344,212	-	-	-	-	3,344,212
5	Other financial assets	46,307	34	-	-	-	46,341
6	Total financial assets	6,646,518	734,094	745,250	875,818	625,464	9,627,144
Liabilities							
7	Due to customers	7,219,817	822,715	172,060	1,183	-	8,215,775
8	Debt securities issued by the Bank	1	-	-	-	-	1
9	Other borrowed funds	-	-	40,816	326,534	81,841	449,191
10	Other financial liabilities	111,751	5,863	19,596	34,819	122	172,151
11	Total financial liabilities	7,331,569	828,578	232,472	362,536	81,963	8,837,118
12	Net liquidity gap as of 31 December	(685,051)	(94,484)	512,778	513,282	543,501	790,026
13	Cumulative liquidity gap as of 31 December	(685,051)	(779,535)	(266,757)	246,525	790,026	-

Operational risk

The Bank defines operational risk as the risk of losses arising from the failure of procedures, improper actions of personnel or internal systems, or from external events. Operational risk also includes legal risk, ICT risk, but not strategic and reputational risk.

The main operational risk of the Bank is the external risk due to the military invasion of the Russian Federation on the territory of Ukraine. Operational risk factors are personnel, systems and information technology and process execution. The Bank cannot influence external factors, but whenever possible, it takes measures to minimize losses from the loss of human resources and material assets. For other operational risk factors, the Bank acts in accordance with the Business Continuity Plan (BCP).

The goal of operational risk management is timely identification and minimization of operational risk, as well as its prevention. The priority is to ensure the maximum preservation of assets and capital by reducing or preventing possible losses.

The risk management department supervises the operational risk management process. The Risk Management Department is responsible for the appointment of risk coordinators - responsible employees of the Bank's structural divisions for operational risk, who are responsible for operational risk management in their division.

In order to reduce the impact of operational risk on the Bank, in addition to the already defined actions, the risk management department carries out the following actions:

- coordinates the appointment of risk coordinators;
- conducts regular trainings and testing for risk coordinators;
- manages the database of operational risk events;
- develops, monitors and reports on key risk indicators;
- carries out a self-diagnosis process annually, which includes: assessment of the business environment and scenario analysis.

The main goals of operational risk management are timely identification and minimization of operational risk, as well as its prevention. The priority is to ensure the maximum preservation of assets and capital based on the reduction or prevention of possible losses. The Bank adopts an operational risk management strategy based on prudent management principles aimed at ensuring long-term strength and continuity of operations for the Bank, as well as achieving an optimal balance between growth and profitability and emerging risks.

The risk management department is responsible for the development of separate high-level internal documents necessary to ensure effective operational risk management: policies, guidelines and basic documents: methodologies, implementation procedures, etc. High-level documents should include objectives, organizational process, reporting forms and frequency, risk appetites and limits, and an escalation process, and should be approved by the relevant collegial body. The main documents must also be approved by the relevant collegial body. The Bank can combine internal documents in one or more.

Environmental, social and management risks

The Risk Management Department is responsible for the management of environmental, social and managerial risks in cooperation with the relevant structural divisions based on the current legislation and the rules of the Parent Company.

Assessing the profile of environmental, social and management risks of products/transactions, with the support of other control units and business units, is also a component of the risk management department.

Risks related to information security management. Technical support for the continuity of the bank's activities

In 2023, in the conditions of war with the Russian Federation, the Bank continued to improve the means of ensuring the safe and uninterrupted operation and protection of the institution's information in the conditions of military operations and all related factors, including the probability of unavailability of buildings, personnel and blackouts.

To minimize information security risks, the Bank implemented the following projects, namely:

- The PAM (Privilege Access Management) system from the Delinea company has been updated (instead of a similar IBM development system that has been withdrawn from support);
- In accordance with the requirements of the SWIFT international system, an information security audit was conducted. No significant comments were found, other comments were corrected during the inspection;
- Constant interaction with law enforcement agencies is ensured in the fight against illegal activities (an official letter was received from the Cyber Police for facilitating the fight against criminal loyalty);
- In order to reduce external risks of interference in the operation of information systems and services, fruitful interaction with the NBU SOC (Security operation center), security services of Ukrainian banks, and GSOC (Global security operation center of the Group) was ensured;

- Reports on the results of ensuring information security and VSP are brought to the attention of the Bank's management on a regular basis.

The Information Security Management Department, in accordance with the requirements of the Legislation of Ukraine, regulatory acts of the National Bank of Ukraine, regulatory and normative documents of other state bodies that regulate the Bank's activities in the field of business continuity during martial law, the Bank has ensured:

- Complete review and creation and approval of the process tree in accordance with the requirements of the Group.
- Creation of regulatory documents describing the procedure for determining critical business processes, taking into account the influence of factors of external aggression and corresponding risks (the "Rules for determining critical business processes in "PRAVEX BANK" JSC" No. 178 dated 07.04.2023 was approved).
- On the basis of the specified rules, the list of critical processes was updated and approved (List of critical business processes in JSC "PRAVEX BANK" 04.01.2024).
- Based on the received analysis, the Bank's Business Continuity Plan was updated, which reflected answers to problematic issues that arose during the bank's work in the winter of 2022-2023 (during the bailout period) and taking into account possible wartime threats;
- In order to ensure the appropriate level of life safety during the performance of official duties, relevant rules of conduct have been developed and approved ("Instructions for the actions of JSC "PRAVEX BANK" employees upon receiving an "Air alarm" notification), training materials have been developed, and appropriate training materials have been developed in cooperation with the units of the Ministry of Emergency Situations training and training.
- In order to ensure the technical restoration of systems in case of critical situations, the Bank, together with the service company, conducts testing of the restoration of the functioning of the Bank's information systems. At the same time, the bank always conducts testing according to the most severe scenario - the complete destruction of the main data center ("Denovo"). Thanks to constant work on risk analysis and ensuring the implementation of best practices, the involvement of all units that ensure the operation of critical processes and systems, the maximum time to restore operational efficiency when switching to a backup data center does not exceed one hour.
- The results of the tests are reported to the bank's management, and the optimization of the specified processes has a constantly high level of support.
- Back-up of data and their testing to the remote data storage center of IVM in Frankfurt (Germany) is ensured, with archive integrity control.
- Technical means have been provided at all critical departments to ensure work in the event of a blackout during the period established by the NBU.

The Bank considers risk factors for other types of risks to be insignificant.

Note 33. Capital management

The Bank's shareholders place much emphasis on the capital increase, specifically, on the increase of the share capital as the key component of capital.

The Bank's capital is formed for the purpose of:

- highly profitable use of own cash;
- covering all possible risks assumed by the Bank;
- optimising assets and liabilities structure by ageing and deposits.

As of 31 December 2023, according to the NBU requirements, banks must comply with the capital adequacy ratio at the level of 10% and with the common equity adequacy ratio at the level of 7% for risk-weighted assets calculated based on the NBU regulations.

As of 31 December 2023, and 2022, the Bank complied with regulatory capital adequacy ratio (N2) at 18.47% (31 December 2022: 13.87%) and common equity adequacy ratio (N3) at 16.90% (31 December 2022: 12.70%).

Table 33.1. Structure of regulatory capital calculated according to the NBU requirements

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	31/12/2023	31/12/2022
1	2	3	4
1	Main capital	618,846	621,356
2	Statutory capital	979,090	979,090
3	Share premium	4,600,449	4,600,449
4	Total reserves under Ukrainian legislation	1,332	1,332
5	Intangible assets	(595,597)	(557,047)
6	Amortisation of other intangible assets	489,033	439,926
7	Capital investments in intangible assets	(4,471)	(37,507)
8	Uncovered losses of past years	(4,747,802)	(4,332,826)
9	Result of the current year (loss)	(96,700)	(466,938)
10	Amount of non-banking assets deducted from main capital	(6,488)	(5,123)
11	Additional capital	57,305	57,305
12	Result on PP&E revaluation	57,305	57,305
13	Reversal	(3)	(3)
14	Carrying amount of securities that are not traded on stock exchanges carried at FV	(3)	(3)
15	Total regulatory capital	676,148	678,658

Note 34. Fair value of financial instruments

Fair value is defined as the price that would be received to sell the asset or paid to transfer the liability in an ordinary transaction in the principal (or most favorable) market at the valuation date under current market conditions (i.e. the original price), whether or not such price directly or estimated using another valuation method. The principal (or most favorable) market price used to measure the fair value of the asset or liability is not adjusted for transaction costs.

The determination of fair value is based on the assumption that the Bank will continue its activities in the future without any need for liquidation or a significant reduction in the volume of operations or carrying out operations on unfavorable terms. Fair value reflects the credit quality of the instrument, as it includes the risk that the counterparty will not fulfill its obligations.

The fair value of financial instruments is determined using prices obtained in financial markets in the case of instruments quoted in an active market, or through internal valuation methods in the case of other financial instruments. A market is considered active if quoted prices are readily and regularly available (through an exchange, dealer, broker, industry group, price information service or regulatory authority) and reflect actual and regularly occurring market transactions between independent parties.

When the market does not function regularly, i.e. when the market does not have sufficient volatility and a constant number of transactions and the difference between the purchase and sale price is insufficient, the fair value of financial instruments is determined mainly by using valuation methods, the purpose of which is to establish the price of a hypothetical commercial transaction that occurs between independent parties, as of the valuation date.

Table 34.1. Analysis of financial instruments at amortised cost and at fair value through other comprehensive income by hierarchy levels as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>						
Li- ne	Item	Fair value by different valuation techniques as of 31 December 2023			Total fair value	Total carrying amount
		Quoted market price (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using unobservable inputs (Level 3)		
1	2	3	4	5	6	7
FINANCIAL ASSETS						
1	Cash and cash equivalents	-	3,419,039	-	3,419,039	3,419,039
2	Loans and advances to banks	-	133,374	-	133,374	133,374
3	Loans and advances to customers	-	-	2,002,496	2,002,496	2,026,390
4	Investments in securities at FVOCI	789,012	1,015,664	209,243	2,013,919	2,013,919
5	Investments in securities at AC	-	2,603,205	-	2,603,205	2,603,205
6	Other financial assets	-	-	77,443	77,443	77,443
FINANCIAL LIABILITIES						
7	Due to customers	-	9,128,643	-	9,128,643	9,126,945
8	Debt securities issued by the Bank	-	1	-	1	1
9	Other borrowed funds	-	432,431	-	432,431	432,431
10	Other financial liabilities	-	-	195,908	195,908	195,908

Table 34.2. Analysis of financial instruments at amortised cost and at fair value through other comprehensive income by hierarchy levels as of 31 December 2022

<i>(in thousands of Ukrainian hryvnias)</i>						
Li- ne	Item	Fair value by different valuation techniques as of 31 December 2022			Total fair value	Total carrying amount
		Quoted market price (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using unobservable inputs (Level 3)		
1	2	3	4	5	6	7
FINANCIAL ASSETS						
1	Cash and cash equivalents	-	2,409,276	-	2,409,276	2,409,276
2	Loans and advances to banks	-	132,464	-	132,464	132,464
3	Loans and advances to customers	-	-	3,803,076	3,803,076	3,694,851
4	Investments in securities at FVOCI	-	-	3	3	3
5	Investments in securities at AC	-	3,344,209	-	3,344,209	3,344,209
6	Other financial assets	-	-	46,341	46,341	46,341
FINANCIAL LIABILITIES						
7	Due to customers	-	8,223,172	-	8,223,172	8,215,775
8	Debt securities issued by the Bank	-	1	-	1	1
9	Other borrowed funds	-	449,191	-	449,191	449,191
10	Other financial liabilities	-	-	172,151	172,151	172,151

To improve consistency and comparability in fair value measurement and related disclosures, IFRS 13 establishes a fair value hierarchy that divides into three levels the inputs to the valuation techniques used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to inputs that cannot be directly observed (Level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or liability may be assigned to different levels of the fair value hierarchy. In such cases, the fair value estimate is classified in its entirety at the same level of the fair value hierarchy as the lowest level input that is significant to the entire estimate.

The Bank uses the following hierarchy to determine the fair value of financial instruments and disclose information about it in terms of valuation methods:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that have a significant effect on the reported fair value and are observable on the market, either directly or indirectly;

Level 3: inputs that have a significant effect on the reported fair value and are not based on observable market data (unobservable inputs).

Financial instruments for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid or have a maturity of less than one month from the reporting date, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to funds on demand, savings accounts without a specific maturity, variable-rate financial instruments, loans issued, or deposits placed less than one month before the reporting date.

Fixed-income financial instruments

The fair value of financial assets and financial liabilities with a fixed interest rate that are accounted for at amortized cost is estimated by comparing market interest rates at the time of recognition with current market rates offered for similar financial instruments. The fair value of loans and deposits is calculated by discounting cash flows using discount rates for assets and liabilities with similar credit risk and maturity.

For shares and debt securities that are quoted in an active market, fair value is calculated based on quotes in active markets for identical assets or liabilities. For shares or debt securities in the absence of quotations on an active market, the method of discounting cash flows is used using the yield to maturity for similar financial instruments that are quoted on active financial markets.

Note 35. Presentation of financial instruments by measurement categories

Table 35.1. Financial assets by measurement categories as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Item	Loans and receivables at AC	Assets at FVOCI	Total
1	2	3	4	5
1	Cash and cash equivalents	3,419,039	-	3,419,039
2	Loans and advances to banks	133,374	-	133,374
3	Loans and advances to customers:	2,026,390	-	2,026,390
3.1	corporate loans	1,180,007	-	1,180,007
3.2	mortgages of individuals	714,488	-	714,488
3.3	retail loans	429	-	429
3.4	other loans to individuals	390,615	-	390,615
3.5	other loans granted to individuals	14	-	14
3.6	provision for loan impairment	(259,163)	-	(259,163)

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Item	Loans and receivables at AC	Assets at FVOCI	Total
1	2	3	4	5
4	Investments in securities	2,603,205	2,013,919	4,617,124
4.1	Investments in securities at AC	2,603,205	-	2,603,205
4.2	Debt securities that are accounted for at FV	-	2,013,916	2,013,916
4.3	Shares of enterprises and other variable-income securities that are not traded on stock exchanges and are recognised at FVOCI	-	34	34
4.4	Provision for impairment of securities at FVOCI	-	(31)	(31)
5	Other financial assets:	77,443	-	77,443
5.1	accounts receivable from transactions with customers	4,040	-	4,040
5.2	amounts due on accrued income from cash and settlement services and other accrued income	2,738	-	2,738
5.3	accounts receivable on credit and debit card transactions	74,582	-	74,582
5.4	other assets	103	-	103
5.5	provision for impairment	(4,020)	-	(4,020)
6	Total financial assets	8,259,451	2,013,919	10,273,370

Table 35.2. Financial assets by measurement categories as of 31 December 2022

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Item	Loans and receivables at AC	Assets at FVTOCI	Total
1	2	3	4	5
1	Cash and cash equivalents	2,409,276	-	2,409,276
2	Loans and advances to banks	132,464	-	132,464
3	Loans and advances to customers:	3,694,851	-	3,694,851
3.1	corporate loans	2,595,787	-	2,595,787
3.2	mortgages of individuals	882,366	-	882,366
3.3	retail loans	388	-	388
3.4	other loans to individuals	544,395	-	544,395
3.5	other loans granted to individuals	11	-	11
3.6	provision for loan impairment	(328,096)	-	(328,096)
4	Investments in securities	3,344,209	3	3,344,212
4.1	Investments in securities at AC	3,344,209	-	3,344,209
4.2	Shares of enterprises and other variable-income securities that are not traded on stock exchanges and are recognised at FVTOCI	-	34	34
4.3	Provision for impairment of securities at FVTOCI	-	(31)	(31)
5	Other financial assets:	46,341	-	46,341
5.1	accounts receivable from transactions with customers	5,513	-	5,513
5.2	amounts due on accrued income from cash and settlement services and other accrued income	2,409	-	2,409
5.3	accounts receivable on credit and debit card transactions	44,032	-	44,032
5.4	other assets	49	-	49
5.5	provision for impairment	(5,662)	-	(5,662)
6	Total financial assets	9,627,141	3	9,627,144

Note 36. Related party transactions

The methods of valuation of assets and liabilities used in the recognition of transactions with related parties do not differ from those used for transactions with other persons. Agreements concluded with parties related to the Bank do not provide for more favorable terms than agreements concluded with other parties.

Table 36.1. Balances on related-party transactions as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>													
Line	Item	UAH	Interest rate	Maturity	USD	Interest rate	Maturity	EUR	Interest rate	Maturity	Denominated in foreign currencies	Interest rate	Maturity
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Major participants (shareholders) of the Bank													
1	Cash and cash equivalents	-	-	-	-	-	-	665,434	-	on demand	5,859	-	on demand
2	Provisions for cash on correspondent accounts with other banks	-	-	-	-	-	-	6	-	on demand	-	-	-
3	Loans and advances to banks				133,376		2 - 31 days						
4	Provision for impairment of loans and advances to banks				1		2 - 31 days						
5	Other financial assets	20	-	2 - 31 days	-	-	-	83	-	on demand	-	-	-
6	Other non-financial assets	24											
7	Other financial liabilities	2,638	-	on demand	-	-	-	1,231	-	on demand	-	-	-
8	Other non-financial liabilities	-	-	-	-	-	-	29,946		on demand	-	-	-
Key management personnel													
9	Loans and advances to customers	209	12%	2 days – 5 years	-	-	-	-	-	-	-	-	-
10	Loan loss provisions	2	-	more than 5 years	-	-	-	-	-	-	-	-	-
11	Due to customers	1,046	0 – 4%	on demand	790	0.01%-1.5%	on demand -to 183days	638	0-0.01%	on demand -	-	-	-
12	Other financial liabilities	2,129	-	on demand	-	-	-	-	-	-	-	-	-
13	Other non-financial liabilities	2,236	-	on demand - to 274 days	-	-	-	-	-	-	-	-	-
Other related parties													
14	Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-
15	Other non-financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Related parties comprise entities under common control, members of the Supervisory Board, key management personnel and their immediate family members, companies that are controlled or significantly influenced by shareholders, key management personnel or their close family members.

Table 36.2. Income and expenses on related-party transactions as of 31 December 2023 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
1	2	3	4	5
1	Interest income	28,355	30	-
2	Interest expenses	-	(77)	-
3	Net (increase) decrease in provisions for impairment of loans and advances to customers, and due from banks	2	-	(817)
4	Net profit from foreign exchange	1,347	-	-
5	Net gain/(loss) from foreign currency translation	60,756	(88)	(51)
6	Fee and commission income	251	10	-
7	Fee and commission expenses	(2,667)	-	(2)
8	Employee benefits expense	-	(21,048)	-
9	Other administrative and operating expenses	(38,883)	(4,091)	(1,699)

Table 36.3. Loans granted to and repaid by related parties during 2023

<i>(in thousands of Ukrainian hryvnias)</i>		
Line	Item	Key management personnel
1	2	3
1	Loans granted to related parties	1

Table 36.4. Other rights and obligations on related-party transactions as of 31 December 2023

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	Major participants (shareholders) of the Bank	Key management personnel
1	2	3	4
1	Guarantees received	8,442	-

Table 36.5. Balances on related-party transactions as of 31 December 2022

<i>(in thousands of Ukrainian hryvnias)</i>													
Line	Item	UAH	Interest rate	Maturity	USD	Interest rate	Maturity	EUR	Interest rate	Maturity	Denominated in foreign currencies	Interest rate	Maturity
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Major participants (shareholders) of the Bank													
1	Cash and cash equivalents	-	-	-	-	-	-	868,405	-	on demand	13,664	-	on demand
2	Provisions for cash on correspondent accounts with other banks	-	-	-	-	-	-	10	-	on demand	-	-	-
3	Other financial assets	20	-	2 - 31 days	-	-	-	-	-	-	-	-	-
4	Other financial liabilities	2,874	-	on demand - less than 31 days	-	-	-	1,136	-	on demand	-	-	-
5	Other non-financial liabilities	-	-	-	-	-	-	44,123	-	on demand	-	-	-
Key management personnel													
6	Loans and advances to customers	209	12%	2 days – 5 years	-	-	-	-	-	-	-	-	-
7	Loan loss provisions	3	-	more than 5 years	-	-	-	-	-	-	-	-	-
8	Due to customers	2,324	0 – 5.5%	on demand - less than 92 days	1,461	0.01%	on demand	496	0.01%	on demand	109	-	on demand
9	Other financial liabilities	7,783	-	on demand - 4 years	-	-	-	-	-	-	-	-	-
10	Other non-financial liabilities	1,053	-	on demand	-	-	-	-	-	-	-	-	-
Other related parties													
11	Cash and cash equivalents	-	-	-	-	-	-	-	-	-	986	-	on demand
12	Other non-financial liabilities	-	-	-	-	-	-	42	-	on demand	-	-	-

Table 36.6. Income and expenses on related-party transactions as of 31 December 2022 and for the year then ended

<i>(in thousands of Ukrainian hryvnias)</i>				
Line	Item	Major participants (shareholders) of the Bank	Key management personnel	Other related parties
1	2	3	4	5
1	Interest income	518	62	-
2	Interest expenses	-	(93)	-
3	Net (increase) decrease in provisions for impairment of loans and advances to customers, and due from banks	2	(3)	-
4	Net profit from foreign exchange	54	-	-
5	Net gain/(loss) from foreign currency translation	172,359	(397)	68
6	Fee and commission income	249	25	-
7	Fee and commission expenses	(1,585)	-	(6)
8	Employee benefits expense	-	(20,245)	-
9	Other administrative and operating expenses	(45,092)	(5,056)	(2,011)

Table 36.7. Loans granted to and repaid by related parties during 2022

<i>(in thousands of Ukrainian hryvnias)</i>		
Line	Item	Key management personnel
1	2	3
1	Loans repaid by related parties	11

Table 36.8. Other rights and obligations on related-party transactions as of 31 December 2022

<i>(in thousands of Ukrainian hryvnias)</i>			
Line	Item	Major participants (shareholders) of the Bank	Key management personnel
1	2	3	4
1	Guarantees received	153,571	-

Table 36.9. Remuneration to key management personnel

<i>(in thousands of Ukrainian hryvnias)</i>					
Line	Item	expenses for 2023	accrued liabilities as of 31/12/2023	expenses for 2022	accrued liabilities as of 31/12/2022
1	2	3	4	5	6
1	Current employee benefits	21,048	2,236	20,245	1,049

The shareholder of “PRAVEX BANK” JSC is an Italian group of companies – Intesa Sanpaolo Group.

Note 37. Subsequent events

On 28 March 2024, the Bank’s shareholder made a decision to increase the Bank’s share capital by euro 26 million (approx. UAH 1,066,000 thousand at the NBU UAH/euro exchange rate as at 28 March 2024). On 30 April 2024, the Bank received full payment for shares from the shareholder.

The Bank has started registration of share capital increase with the National Commission on Securities and Stock Market which was not finalized at the date of authorization of these financial statements.