

**JOINT STOCK COMPANY
“BANK “CLEARING HOUSE”**

Annual Financial Statements
for the year 2023

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Statement of Financial Position As at December 31, 2023

| <i>Translation from Ukrainian original</i> | Notes | 31.12.2023 | <i>UAH thousand</i> 31.12.2022 |
|---|-------|------------------|-----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 5 | 3 053 152 | 3 384 849 |
| Loans and advances to customers | 6 | 1 439 670 | 1 277 952 |
| Investment securities | 7 | 635 011 | 97 777 |
| Investment property | 8 | 12 733 | 124 558 |
| Deferred income tax | | - | 10 323 |
| Property, plant and equipment and intangible assets | 9 | 133 522 | 136 111 |
| Other assets | 10 | 196 272 | 124 756 |
| Total assets | | 5 470 360 | 5 156 326 |
| LIABILITIES | | | |
| Customer accounts | 11 | 4 392 114 | 4 315 152 |
| Current income tax liabilities | | 87 582 | - |
| Deferred tax liabilities | 21 | 5 355 | 3 880 |
| Allowance for impairment for commitments | 12 | 2 958 | 489 |
| Other liabilities | 13 | 29 334 | 26 136 |
| Total liabilities | | 4 517 343 | 4 345 657 |
| EQUITY | | | |
| Share capital | 14 | 510 393 | 510 393 |
| Shareholders' contribution | | 190 000 | 190 000 |
| Retained earnings (accumulated deficit) | | 179 828 | 40 448 |
| Reserve capital | | 4 183 | - |
| Revaluation reserve | 15 | 68 613 | 69 828 |
| Total equity | | 953 017 | 810 669 |
| Total liabilities and equity | | 5 470 360 | 5 156 326 |

Approved for issue and signed on 18.04.2024

Chairman of the Board

Viktoriiia Andreievska

Chief Accountant

Oleksandra Markina



Statement of Profit or Loss and Other Comprehensive Income for 2023

| <i>Translation from Ukrainian original</i> | Notes | 2023 | 2022 |
|--|-------|---------------------|----------------|
| | | <i>UAH thousand</i> | |
| Interest income | 17 | 704 509 | 493 920 |
| Interest expense | 17 | (268 157) | (169 090) |
| Net interest income | | 436 352 | 324 830 |
| Fee and commission income | 18 | 142 000 | 127 421 |
| Fee and commission expense | 18 | (38 766) | (32 658) |
| Net income (loss) from financial instruments at fair value through profit or loss | | (196) | (5 056) |
| Net income (loss) from debt instruments at fair value through other comprehensive income | | 376 | 21 |
| Net income (loss) from trading in foreign currencies | | 25 146 | 37 338 |
| Net income (loss) from revaluation of foreign currency | | 3 204 | 18 951 |
| Net income (loss) from revaluation of investment property | | (1 455) | (70) |
| Net income (loss) from impairment of financial assets | | (229 762) | (143 616) |
| Net (increase)/ decrease in liabilities | | (2 469) | 3 311 |
| Net income (loss) from derecognition of financial assets at amortized cost | | 216 248 | 76 |
| Other operating income | 19 | 3 240 | 5 402 |
| Staff costs | 20 | (137 183) | (137 522) |
| Amortization | 20 | (12 148) | (11 236) |
| Administrative and other operating expenses | 20 | (99 249) | (83 080) |
| Profit/(loss) before tax | | 305 338 | 104 112 |
| Income tax expense | 21 | (161 775) | (20 537) |
| Profit/(loss) from ongoing activity | | 143 563 | 83 575 |
| Profit/(loss) for the year | | 143 563 | 83 575 |
| OTHER COMPREHENSIVE INCOME: | | | |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS | | | |
| Revaluation of fixed and intangible assets | | - | - |
| Income tax related | | (2 959) | - |
| Other comprehensive income not reclassified | | (2 959) | - |
| ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS | | | |
| Revaluation of debt financial instruments | | 816 | (16 372) |
| Net changes in fair value | 15 | 816 | (16 372) |
| Income tax related | 21 | 928 | 2 947 |
| Other comprehensive income reclassified, after tax | 15 | 1 744 | (13 425) |
| Other comprehensive income after tax | 15 | 1 744 | (13 425) |
| Total comprehensive income for the year | 15 | 142 348 | 70 150 |
| Profit (loss) attributed to: | | | |
| Owners | | 143 563 | 83 575 |
| Total comprehensive income attributed to: | | | |
| Owners | | 142 348 | 70 150 |
| Profit (loss) per share from ongoing activity, UAH: | | | |
| Profit (loss) per ordinary share, UAH | 22 | 2 980,15 | 1 734,89 |
| Profit (loss) per share attributed to owners: | | | |
| Net profit (loss) per ordinary share for the year, UAH | 22 | 2 980,15 | 1 734,89 |

Approved for issue and signed on 18.04.2024

Chariman of the Board

Chief Accountant

Viktoriia Andreievska

Oleksandra Markina



Statement of Changes in Equity for 2023

| <i>Translation from Ukrainian original</i> | | Note | Share capital | Shareholders' contribution | Reserves and other funds | Revaluation reserve | <i>UAH thousand</i> | |
|--|---|------|------------------|-------------------------------|-----------------------------------|------------------------|--|-----------------|
| | | | | | | | Retained earnings (accumulated deficit) | Total equity |
| 1 | Balance as at 31.12.2021 | 14 | 510 393 | 190 000 | - | 83 253 | (43 127) | 740 519 |
| 2 | Total comprehensive income, incl. | | | | | (13 425) | 83 575 | 70 150 |
| 2.1 | <i>Profit for 2022</i> | | | | | | 83 575 | 83 575 |
| 2.2 | <i>Other comprehensive income</i> | 15 | | | | (13 425) | - | (13 425) |
| 3 | Balance as at 31.12.2022 | 14 | 510 393 | 190 000 | - | 69 828 | 40 448 | 810 669 |
| 4 | Total comprehensive income, incl. | | | | | (1 215) | 143 563 | 142 348 |
| 4.1 | <i>Profit for 2023</i> | | | | | | 143 563 | 143 563 |
| 4.2 | <i>Other comprehensive income</i> | 15 | | | | (1 215) | - | (1 215) |
| 5 | Profit for the year | | | | 4 183 | | (4 183) | - |
| 6 | Balance as at 31.12.2023 | 14 | 510 393 | 190 000 | 4 183 | 68 613 | 179 828 | 953 017 |

Approved for issue and signed on 18.04.2024

Chairman of the Board

Viktoriiia Andreievaska

Chief Accountant

Oleksandra Markina



Statement of Cash Flows (indirect method) for 2023

| <i>Translation from Ukrainian original</i> | Notes | 2023 | <i>UAH thousand</i> 2022 |
|--|-------|------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | 305 338 | 104 112 |
| Adjustments: | | | |
| Amortisation | 20 | 12 149 | 11 236 |
| Net increase/(decrease) in impairment of assets | | 229 853 | 143 715 |
| Amortisation of discount/(premium) | | 1 304 | (4 535) |
| Profit/(loss) from financial instruments at fair value through profit or loss | | 94 | (21) |
| Profit/(loss) from financial instruments at fair value through other comprehensive income | | (376) | - |
| Profit/(loss) from revaluation of foreign currency | | (3 204) | (18 951) |
| (Income accrued) | | 124 993 | (6 403) |
| Expense accrued | | (1 845) | 5 204 |
| Net loss/(profit) from investing activity | | (260) | (390) |
| Other inflows, other than cash | | (24 149) | (3 959) |
| Net cash profit/(loss) from operating activities before changes in operating assets and liabilities | | 641 066 | 230 008 |
| Changes in operating assets and liabilities: | | | |
| Net (increase)/decrease in investment securities | | 13 000 | - |
| Net (increase)/decrease in loans and advances to customers | | (525 376) | 214 903 |
| Net (increase)/decrease in other financial assets | | (71 787) | (18 284) |
| Net (increase)/decrease in other assets | | 3 216 | (4 247) |
| Net increase/(decrease) in due to banks | | | - |
| Net increase/(decrease) in customer accounts | | 80 389 | 1 261 514 |
| Net increase/(decrease) in other financial liabilities | | 3 761 | (4 168) |
| Net increase/(decrease) in other liabilities | | 3 519 | (1 407) |
| Net cash flows received /(used in) from operating activities before income tax | | 147 788 | 1 678 319 |
| Income tax paid | | (64 426) | - |
| Net cash flows received /(used in) from operating activities | | 83 362 | 1 678 319 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease in investment securities | | (781 622) | (319 158) |
| Sale of investment securities | | 249 654 | 1 354 257 |
| Sale of investment property | | 110 572 | 63 519 |
| Decrease in fixed assets | 9 | (2 654) | (5 928) |
| Sale from fixed assets | | 58 | 358 |
| Decrease in intangible assets | 9 | (5 478) | (7 469) |
| Net cash flows received /(used in) from investing activities | | (429 470) | 1 085 579 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease liabilities | | (2 876) | (1 995) |
| Net cash flows received /(used in) from financing activities | | (2 876) | (1 995) |

| <i>Translation from Ukrainian original</i> | Notes | 2023 | 2022 |
|--|-------|------------------|------------------|
| Effect of the official exchange rate change on cash and cash equivalents | | 14 454 | 38 132 |
| Effect of expected credit loss on cash and cash equivalents | | 2 833 | (10 577) |
| Net increase/(decrease) in cash and cash equivalents | | (331 697) | 2 789 458 |
| Cash and cash equivalents at the beginning of the period | 5 | 3 384 849 | 595 391 |
| Cash and cash equivalents at the end of the period | 5 | 3 053 152 | 3 384 849 |

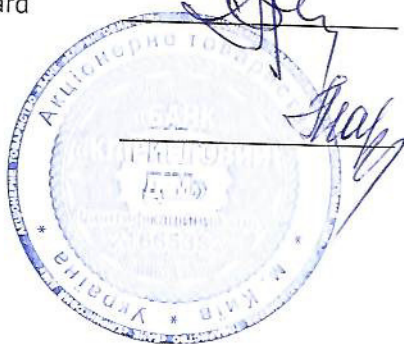
Approved for issue and signed on 18.04.2024

Chariman of the Board

Viktoriia Andreievska

Chief Accountant

Oleksandra Markina



1. Information about the Bank

These financial statements are prepared in accordance with the International Financial Reporting Standards for the financial year 2023 for JOINT STOCK COMPANY "BANK "CLEARING HOUSE" (hereinafter – the "Bank").

The financial statements of the Bank is prepared in the functional currency of Ukraine – in thousands of Ukrainian hryvnia.

The full name of the Bank is JOINT STOCK COMPANY "BANK "CLEARING HOUSE", the abbreviated name is JSB "CLEARING HOUSE".

A record of the state registration of the full name of the Bank change was made on 30.12.2022.

Previous name of the Bank is Public Joint Stock Company "Bank "CLEARING HOUSE".

The Bank is located at 5, Borissoglebskaya St., letter "A", Kyiv, 04070.

The Bank is registered in Ukraine and is a resident of Ukraine.

According to the legal form, the Bank is a private joint stock company.

The Bank is operating under the license of the National Bank of Ukraine, entry No. 171 in the State Register of Banks on the right of the legal entity to carry out banking activities, registration number 264 in the State Register of Banks, date of entry into the State Register of Banks is 30.12.1996.

The Bank is licensed by the National Securities and Stock Market Commission for carrying out the following professional depository activities in the capital market:

- Series AE No.263457 of 01.10.2013 - depository activity of a depository institution;
- Series AE No.263458 of 01.10.2013 - storing assets of joint investment institutions;
- Series AE No.263459 of 01.10.2013 - storing assets of pension funds.

The Bank is licensed by the National Securities and Stock Market Commission for carrying out the following professional activities on trading financial instruments in the capital markets:

- Series AE No.185076 of 19.10.2012 - dealer activity;
- Series AE No. 185077 of 19.10.2012 – broker activity.

The Bank is licensed by the National Securities and Stock Market Commission to carry out sub-broker activity in the capital markets in accordance with decision No. 420 of 01.07.2021.

The strategic goal of the Bank is to be a universal and dynamic bank, to strengthen its position, to enter the group of leaders of the financial market of Ukraine and to increase the market value of the Bank.

The Bank is a member of the Deposit Guarantee Fund (registration number of the Bank No. 149 dated November 08, 2012) and acts in accordance with the Law of Ukraine No. 4452-VI dated 23.02.2012 "On the Deposit Guarantee System of Individuals."

The ultimate beneficiary owners of the Bank's substantial shares are:

Yuliya Liovochkina, who owns 63.4068% of the Bank's shares in aggregate, of which 5.9203% directly and 57.4865% indirectly;

Decision No. 154 of 23.03.2016 of the Committee of the National Bank of Ukraine on Supervision and Regulation of Banks, Supervision (oversight) of Payment Systems on Approval of Acquisition of Substantial Participation in the Bank.

Ivan Fursin, who owns 16.7791% of the Bank's shares in aggregate, of which 6.8773% directly, and 9.9018% indirectly.

Decision No. 153 of 23.03.2016 of the Committee of the National Bank of Ukraine on Supervision and Regulation of Banks, Supervision (oversight) of Payment Systems on Approval of Acquisition of Substantial Participation in the Bank. (By the Decision of the Committee on Supervision and Regulation of Banks, Supervision (Oversight) of Payment Systems of the National Bank of Ukraine No. 225 dated 10.06.2021 (as amended on 02.05.2022 No. 20/676-rk and No. 20/750-rk on 06.06.2022) the voting right of the Bank's shares, collectively owned by I. Fursin, are temporarily transferred to the trustee Stanislav Shlapak, until the violation is eliminated).

Information on the ultimate beneficial owner and ownership structure is recorded in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Formations in accordance with the Law of

Ukraine "On state registration of legal entities, individuals - entrepreneurs and public formations" and the Regulation on the form and content of the ownership structure approved by the Order of the Ministry of Finance of Ukraine dated March 19, 2021 No. 163. The beneficiary owner is determined on the basis of the requirements of the Law of Ukraine "On Prevention and Counteraction to Legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction".

The Bank is a member of the Independent Association of Banks of Ukraine, the Association of Taxpayers of Ukraine, the Professional Association of Participants of Capital Markets and Derivatives, a member of the self-regulated organization of professional securities market participants of the Association "Ukrainian Stock Traders".

The Bank is actively integrated into international information and payment systems: it is a member of the international payment system S.W.I.F.T., an associate member of the international payment system VISA.

The Bank's financial statements are audited by "RSM UKRAINE" LLC.

As of December 31, 2023, the Bank has 5 branches.

In connection with introduction of martial law in Ukraine and because it was impossible to continue banking activities, the operation of the Borispil and Severodonetsk branches were suspended.

The Bank is a public interest entity.

The Bank is not a member/controller of a non-bank financial group.

The Bank has no parent/subsidiary companies.

Prudential indicators for Ukrainian banks are established by the National Bank of Ukraine on the basis of the requirements of the Instruction on the procedure for regulating the activities of banks in Ukraine No. 368 of August 28, 2001.

2. Operating Environment

The Bank operates in Ukraine, which economic environment is open and considered to be a market with certain characteristic of an economy in transition. Ukraine's economy is heavily dependent on global commodity prices and low liquidity in capital markets. Under these conditions, banking activity in Ukraine is characterized by increased risks, not typical for developed markets.

During 2022-2023, throughout the history of its independence, the economy of Ukraine suffered the greatest losses, damages and destruction caused by the Russian Federation that started from occupation of the Crimea by back in 2014 and scaled to the invasion launched along the entire length of the common border and from the territory of Belarus on February 24, 2022. A full-scale attack by Russia led to a sharp decline in economic activity in Ukraine. At the beginning of the war, a third of enterprises stopped operating. The reasons for this were physical destruction and temporary occupation of entire regions, a high level of uncertainty and risks, the breaking of logistic and production ties, forced massive migration of the population.

In 2023, according to various estimates, Ukraine's real GDP grew by 5-5.5%. This is a restorative growth after a sharp drop by 29.1% in 2022. Despite the recovery, GDP is still about a quarter less than in 2021. In the first quarter of 2023, GDP was still falling, but showed some growth during the remaining three quarters. The Ukrainian economy is gradually recovering and showing positive dynamics.

Ukraine entered 2023 with a record high level of inflation that accelerated due to the war and printing of hryvnia to cover military spending. However, during the year, it was managed to hold the inflation back: regular inflows of foreign aid allowed to stop monetary financing of the budget (through printing hryvnia), and good yields contributed to decrease of food prices.

In January 2023, annual consumer inflation slowed down to 26.0%. In March 2023, consumer inflation in annual terms continued to slow down to 21.3% from 24.9% in February. In June 2023, the YoY consumer inflation continued to slow down to 12.8% from 15.3% in May. In September 2023 - to 7.1% from 8.6% in August. In monthly terms, prices rose by 0.5%. In December 2023, inflation remained at the November's level of 5.1% (YoY). In monthly terms, prices rose by 0.7%. These indicators are evidenced by data published by the State Statistics Service of Ukraine.

The rapid decline in inflation in 2023 was ensured by the NBU's measures to maintain exchange rate stability, which contributed to improving expectations, a moratorium on raising certain tariffs for certain utility services, a sufficient supply of food, and a decrease in world energy prices. Moderate inflation is expected to continue in 2024. To this end, the NBU will continue to pursue a policy aimed at maintaining the stability of

the foreign exchange market. However, the risks of increased inflationary pressure in 2024 remain, primarily due to the impact of the war.

According to NBU forecasts published in the Inflation Report, inflation will moderately accelerate in 2024, but as far as next year it will meet the NBU target range by falling to 5.8%, and in 2026 - to 5%. Economic recovery will continue, although it will slow down to 3.6% in 2024. In the next two years, GDP growth is expected to accelerate to 4-6% per year. This forecast is based on assumptions about a noticeable reduction in high security risks from 2025 and the preservation of significant amounts of international support. An important task for the NBU will continue to be the protection of the attractiveness of hryvnia instruments, i.e. maintaining such a level of interest rates on hryvnia deposits that would protect hryvnia savings from depreciation caused by inflation.

At the beginning of the full-scale phase of the war with Russia, the NBU kept the key policy rate at 10% per annum, and from June 2022 decided to increase immediately by 15% up to 25%. From July 28, 2023, the Board of the National Bank decided to reduce the key policy rate from 25% to 22%. Taking into account the balance of risks, the rapid decline in inflation and the ability to maintain exchange rate stability, the NBU Board decided to reduce the key policy rate to 20% from September 15, 2023. From October 27, 2023, it was decided to set the key policy rate at 16%, equalizing it with the rate on overnight deposit certificates (DS). Thus, the National Bank modernizes its operational design of monetary policy according to the "lower limit" system. Taking into account the successful adaptation of market participants to the new exchange rate regime, further inflation decrease and improvement of inflation expectations, the Board of the National Bank decided to reduce the key policy rate from 16% to 15% from December 15, 2023. This will help to preserve the attractiveness of hryvnia instruments for savings.

According to preliminary data, international reserves of Ukraine as of January 1, 2024 amounted to 40.514 billion US dollars. In December 2023, they increased by 4.24% compared to November figure due to foreign exchange earnings from international partners, which exceeded the net sale of foreign currency by the National Bank and the country's debt payments in foreign currency.

According to unaudited preliminary data, in 2023, net profit of solvent banks is UAH 86.5 billion. This result already takes into account the increase in the income tax rate to 50%. Operating profits of banks increased moderately: operating income for the year increased by 15% compared to the previous year, net operating profit before deductions to reserves - by 19%. The growth driver for the sector's revenues remains an increase in interest income from both highly liquid assets and lending.

The return on capital of the banking sector as of January 1, 2024 was 31.6%. A year ago, this figure was 9.7%.

As of January 01, 2024, according to annual figures, only 7 (mostly small banks) out of 63 solvent banks were unprofitable with a total loss of UAH 0,245 billion.

On September 8, 2023, Standard & Poor's confirmed Ukraine's long-term sovereign rating in foreign and national currencies at "CCC/CCC+" and Ukraine's short-term sovereign rating in foreign and national currencies at "C/C." Also, the rating of Ukraine on the national scale is confirmed at "uaBB."

On December 8, 2023, Fitch Ratings confirmed the long-term foreign currency issuer default ratings (IDRs) at "CC" and in national currency at "CCC-". Confirmation of Ukraine's long-term foreign currency IDR at "CC" reflects Fitch's expectations for further commercial debt restructuring before the completion of the two-year suspension of Eurobond payments on September 1, 2024.

As a result of military aggression of the Russian Federation, part of the territories was occupied. Enterprises in other regions suffered significant losses caused by destruction and damage to facilities or simply because of faced interruptions in work and difficulties with sale of products. In particular, exporters lost part of the proceeds due to limited shipping on the Black Sea. Enterprises that focus on the domestic market have suffered a falling demand for their products, disruption of production processes and supply chains. Demand for goods and services has decreased, including due to the forced migration of millions of Ukrainians to neighboring countries. Yet Ukrainian businesses and Ukrainians have demonstrated an impressive ability to adapt to difficult conditions. Although the large-scale energy terror arranged by Russia at the end of the year caused additional losses to the Ukrainian economy, it could not stop it.

Economy of Ukraine is gradually recovering, primarily due to the recovery of losses caused by a full-scale invasion by Russia. However, sustained and substantial economic growth is only possible through sustained productivity gains. This can be achieved through reforms and rapprochement with more developed

economies, provided that macro-financial stability is maintained. The driver of these processes should be the European integration of Ukraine. Even before the official accession to the EU, the prospect of European integration will stimulate foreign trade and investment, as well as strengthen the institutional capacity of the country. As the experience of other countries shows, incentives for economic growth create actual fulfillment of requirements before joining the EU. Reforms, in particular, will increase the efficient use of resource potential, reduce corruption and deepen market competition.

3. Basis for Preparation and Significant Accounting Policy

The following are key accounting policies used in the preparation of these financial statements. These principles have been applied consistently to all periods presented in the reporting, unless otherwise indicated.

3.1. Consolidated financial statements.

Due to the absence of members of the consolidated group, the Bank does not compile consolidated financial statements.

3.2. Summary of underlying key estimates.

For the purpose of accounting and financial reporting, the Bank's assets and liabilities are measured and accounted for at their acquisition or origination cost (historical (initial) cost or fair value).

When **historical (initial)** cost is applied, assets are recognized at the amount actually paid, and liabilities are recognized at the amount of funds mobilized in exchange for a liability.

When **fair value** is applied, assets are recognised at the amount of funds that would need to be paid to acquire such assets at this point of time and liabilities are recognized at the amount of funds that would be required to settle a liability at this point of time.

3.3. Initial recognition of the financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value is determined in accordance with the requirements of International Financial Reporting Standard 13 "Fair Value Measurement";

Initial (historical) cost - At the time of initial recognition of a financial instrument, the Bank records a gain or loss on the amount of the difference between the fair value of a financial asset or a financial liability and the contract value in correspondence with the discount/premium accounts if the effective interest rate on that instrument is higher or lower than the market rate. The difference between the fair value of a financial asset or a financial liability and the value of the contract for transactions with the bank's shareholders is recorded in capital under Class 5 "Bank Capital" accounts of the Chart of Accounts and is included in parts in retained earnings (deficit) during the period of its retention or the total amount at the time of disposal of a financial instrument;

Transaction costs are additional costs directly related to the acquisition, issue or disposal of a financial asset or liability and which could not arise if the entity did not issue, acquire or sell a financial instrument. Transaction costs include commissions paid to agents, consultants, brokers and dealers, fees to regulatory authorities, stock exchanges, taxes and state duty, and other expenses. Transaction costs do not include discounts or premiums on debt financial instruments or administrative expenses;

Amortized cost of a financial asset or financial liability is the amount at which a financial asset or a financial liability is measured at the time of initial recognition, less funds received or paid [principal amount of debt, interest income (costs) or other payments related to initiation of a financial asset or financial liability], increased or decreased by the amount of accumulated depreciation calculated using the effective interest rate - the difference between the initially recognized amount and the repayment amount of a financial instrument, and adjusted for any estimated credit loss in case of a financial asset;

Effective interest rate method is a method of calculating a financial asset or a financial liability (or a group of financial assets or financial liabilities) at amortized cost and allocation of income in the form of interest or interest payment expense within an appropriate period of time;

Effective interest rate is a rate that accurately discounts the expected cash flow of future payments or receipts over the expected life of a financial asset or a financial liability to the gross carrying amount of the financial asset or to the amortized cost of the financial liability. The Bank calculates the effective interest rate on the basis of future expected cash flows, taking into account all the terms of the contract for the financial asset less expected credit losses.

3.4. Impairment of financial assets.

Impaired financial assets are financial assets for which there is objective evidence of a loss or one or more events are observed that have a negative impact on the expected future cash flows for such financial asset. The impairment of a financial asset is confirmed by observational data on the following events:

- significant financial difficulties of the issuer or a borrower;
- breach of contract, such as default or late payment;
- the bank provides an assignment to its borrower under economic or contractual conditions related to the financial difficulties of the borrower, which the bank did not consider under other conditions;
- high probability of bankruptcy or financial reorganization of the borrower;
- disappearance of an active market for a financial asset due to financial difficulties;
- purchase or creation of a financial asset with a large discount, reflecting the incurred credit losses.

The Bank takes into account the overall effect of several events if it is impossible to identify one individual event that caused the impairment of a financial asset;

Initial recognition of financial instruments. After initial recognition, the Bank evaluates the debt financial asset based on the business model and the characteristics of the underlying contractual cash flows provided at

- 1) amortized cost;
- 2) fair value through other comprehensive income;
- 3) fair value through profit or loss.

The Bank defines a business model for the groups of financial assets managed together to achieve a certain business goal, rather than for each individual asset.

3.5. Derecognition of financial assets.

The Bank derecognises the original financial asset and recognises a new financial asset if the revised or modified contractual cash flows result in derecognition of the original financial asset. At the date of modification, the Bank recognises a new financial asset at fair value plus transaction costs associated with creation of a new financial asset (except for a new asset recognized fair value through profit/loss), and determines the amount of expected credit losses within 12 months.

The Bank recognises cumulative changes in expected credit losses over the lifetime of a financial asset if the modification results in a new financial asset that is impaired at the time of initial recognition.

At each reporting date, the Bank recognizes the results of changes in expected credit losses throughout the lifetime of the financial asset impaired at the time of initial recognition (including positive changes) through profit/loss as an expense/income for creation/dissolution of valuation reserves. Income from the dissolution of valuation reserves is recognized even if the amount of the previously formed reserve for such financial asset exceeds.

At the date of derecognition of the original financial asset, the Bank recognises gains or losses from derecognition as the difference between the carrying amount of the original financial asset and the fair value of the new financial asset.

At the reporting date, as well as at the date of derecognition (repayment, assignment of claims, sale, write-off against reserve) and the date of modification of the financial instrument, the Bank calculates interest income, amortization of premium/discount, revaluation to fair value, analysis of changes in the expected credit loss for the creation /dissolution of the valuation reserve.

3.6. Cash and cash equivalents.

Cash and cash equivalents are assets that can be freely converted into cash at the first request and are inherent of a negligible risk of value fluctuation. Cash and cash equivalents include cash in hand, balances in the correspondent account with the National Bank of Ukraine, not restricted for use, balances in correspondent accounts with other banks and NBU deposit certificates.

Required reserves in accounts with the National Bank of Ukraine are funds placed in a separate account with the National Bank of Ukraine that are not intended to finance the Bank's daily operations. Accordingly, they are excluded from cash and cash equivalents for the purposes of the Statement of cash flows.

Loans to other banks. Loans to other banks is accounted for when the Bank provides counterparty banks with funds that are repayable on a fixed or defined date; at the same time, the Bank does not intend to trade the arising receivables. This receivable is not related to derivatives and has no market quotations.

Loans to other banks are carried at amortized cost.

3.7. Financial investments at fair value through profit or loss.

Financial investments are carried at fair value through profit/loss at the settlement date.

Financial investments at fair value through profit/loss include debt securities, shares and other financial investments purchased for sale in the near future to obtain profit from short-term price fluctuations or dealer margins, as well as financial investments that form part of a financial instruments portfolio and collectively managed at the time of initial recognition, and for which there is evidence of actual short-term profit.

If the fair value changes, the securities are revalued. The result of the revaluation is mandatory for recording as at the balance sheet date.

The discount (premium) on debt securities related to financial investments at fair value through profit or loss is not amortized.

At the time of initial recognition, the Bank records financial investments at fair value through profit or loss at fair value less transaction costs. Transaction costs for the acquiring such financial investments are recorded on the expense accounts at the transaction date.

If the Bank decides to reclassify a financial investment at fair value through profit/loss as a financial investment at fair value through other comprehensive income, it continues to measure that financial investment at fair value. At the reclassification date, the Bank determines the effective interest rate based on the fair value of the financial asset and recognises the estimated allowance for expected credit losses (if the reclassified financial asset is not an impaired financial asset).

In case the Bank decides to reclassify a financial investment at fair value through other comprehensive income into the category of financial investments at fair value through profit/loss, it continues to evaluate such financial investment at fair value. Accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassified adjustment.

Securities classified as financial investments at fair value through profit/loss are carried at fair value through profit/loss. Analytical accounting of securities classified as financial investments at fair value through profit/loss is conducted in the context of their issuers and issues.

Securities classified as financial investments at fair value through profit or loss are subject to revaluation if their fair value changes. It is mandatory on the balance sheet date that the revaluation result is reported to the analytical accounts Class 6 of the Chart of accounts for the amount of the difference between the fair value of the security and its carrying amount in correspondence with the revaluation accounts.

The Bank recognises interest income on debt securities at fair value through profit/loss separately according to the set coupon interest rate on those securities. The Bank receives dividends from holding securities with unfixed income.

The Bank accrues interest income on securities and financial investments classified as financial investments at fair value through profit/loss at the date of their revaluation, but at least once a month.

Profit or loss from sale of financial investments at fair through profit/loss (the difference between the cost of sale and the carrying amount) is recorded in the corresponding analytical account Class 6 of the Chart

of accounts.

Financial investments under fixed price sales contract is not revaluated between the transaction date and the settlement date.

3.8. Loans and advances to customers.

A financial instrument is a contract which gives rise to a financial asset for one entity with simultaneous rise of a financial liability or an equity instrument for another entity.

Transactions with financial instruments are accounted for in accordance with the economic essence of these transactions on balance and off-balance accounts of the Chart of Accounts of Banks of Ukraine, approved by Resolution of the Board of the National Bank of Ukraine dated September 11, 2017 No.89 (as amended) (hereinafter - the Chart of Accounts).

The Bank accounts for sale of assets and services with deferred payment in accordance with their economic essence on credit of accounts of the Chart of Accounts.

During transactions, the Bank has the right to use transit accounts, payable and receivable accounts in accordance with the requirements of the software, provided that they are subsequently reflected in the relevant accounts for the accounting for a certain financial instrument.

When making accounting postings on transactions with financial instruments determined by this Instruction, the Bank uses a list of grouped accounts (annex to this Instruction), in which the accounts are grouped in accordance with their purpose.

The Bank records transaction costs and other payments directly related to the recognition of a financial instrument in the discount/premium accounts for that financial instrument (except for financial instruments measured at fair value through profit/loss).

In accordance with the internal methodology, the Bank records expected credit losses on a separate analytical discount/premium account, if such credit losses are not recorded on the reserve account.

The Bank classifies and evaluates financial assets based on the business model that it uses to manage these assets, and the characteristics of the underlying contractual cash flows.

For on debt financial instruments, the Bank recognises interest income (interest accrual, amortization of discount/premium) at the effective interest rate during the period from their acquisition date to the derecognition date (sale, assignment of the right to claim, repayment, write-off against reserve), reclassification.

The Bank recognises interest income on financial assets carried at amortised cost, at an effective interest rate of gross book value, except for:

- 1) acquired or created impaired financial assets. For these financial assets, the effective interest rate adjusted for credit risk is applied to the amortised cost of this financial asset from the date of its initial recognition;
- 2) financial assets that were not acquired or created as impaired financial assets, but later became impaired financial assets. To these financial assets, the Bank applies an effective interest rate to the amortized cost of this financial asset in the subsequent reporting periods.

The Bank recognises interest income at the effective interest rate applied to gross carrying amount of a financial asset from the next interest date if, as a result of certain events, the previously impaired financial asset has recovered and is no longer impaired.

The Bank derecognizes a financial asset or a group of financial assets (hereinafter - the financial asset) if:

- 1) the rights for cash flows from the financial asset, under the terms of the contract, expires;
- 2) the transfer of the financial asset meets the criteria for derecognition in accordance with paragraph 15 of Section I of this Instruction;
- 3) there was a write-off against reserve.

The Bank transfers a financial asset if any one of the following conditions is met:

- 1) the bank transfers the rights for cash flows from the financial asset, under the terms of the contract;
- 2) the bank retains the rights for cash flows from the financial asset under the transfer agreement, but undertakes to pay cash flows to one or more recipients under a contract that meets the following conditions:
 - the bank has no obligation to pay the amount to the final buyers until it receives the equivalent amount from the original asset;

the terms of the agreement prohibit the bank from selling or pledging the original financial asset, except for its transfer to the final recipients as collateral for the obligation to pay cash flows;

the bank has an obligation to transfer any cash flows it receives on behalf of the final recipients without significant delay. In addition, the bank is not entitled to re-invest such cash flows, with the exception to investment funds or cash equivalents (as defined by International Accounting Standard 7 "Statement of Cash Flows") within a short maturity from the date of collection to the date of the required transfer to their final recipients. Interest on such investments is transferred to the final recipients.

The Bank assesses the extent to which it retains all the risks and rewards of ownership of the asset during the transfer of the financial asset, taking into account the following:

1) the bank derecognises the financial asset and recognises the rights and liabilities created or retained at the time of transfer separately as an asset or liability if it transfers substantially all the risks and rewards of owning the financial asset;

2) the bank continues to recognize a financial asset if it retains basically all the risks and rewards of owning the financial asset;

3) the bank determines whether control of the financial asset is retained if it does not transfer, does not retain basically all the risks and rewards of owning the financial asset.

The Bank does not exercise control over the transferred asset if the party to which the asset is transferred has a real opportunity to sell it to an unrelated third party, can make this sale unilaterally without the need to set additional restrictions on such transfer.

The Bank derecognises such an asset and recognises the rights and liabilities created or retained at the time of transfer separately as an asset or liability if control of the financial asset is not retained. The Bank continues to recognize the transferred financial asset as part of its further participation in it if it retains control over the financial asset.

Банк відображає в бухгалтерському обліку зміну умов договору або модифікацію за фінансовим активом, що призводить до перегляду грошових потоків за ним, як:

The Bank recognizes the difference between the carrying amount of the financial asset calculated at the date of derecognition and the amount of consideration received (including the amount of the new asset received less the amount of the liability assumed) as income or expenses from derecognition.

The Bank records a change in the terms of the contract or modification of the financial asset, which leads to a review of generated cash flows, as:

1) derecognition of the original financial asset and recognition of the new financial asset at fair value;
or

2) continued recognition of the original financial asset with new terms.

The Bank recalculates the gross carrying amount of the financial asset and recognises the proceeds or expenses from modification if the terms of the underlying agreement are revised by agreement of the parties or any other modification occurs that does not result in the derecognition of the original financial asset.

The Bank calculates the new gross book value as the present value of the revised or modified contractual cash flows discounted at the original effective interest rate (or the original effective interest rate adjusted for credit risk - for acquired or created impaired financial assets). The Bank shall include transaction costs in the carrying amount of the modified financial asset and amortize them over the life of this asset.

The Bank recognizes the difference between the gross book value under the original conditions and the gross book value under the revised or modified conditions as income or expenses from the modification.

3.9. Financial investments at fair value through other comprehensive income.

Financial investments at fair value through other comprehensive income include debt securities, shares and other financial investments held for sale and not classified as financial investments at fair value through profit or loss or financial investments at amortized cost.

Financial investments at fair value through other comprehensive income include:

- debt securities that the Bank does not intend and/or is able to hold until their maturity date;
- debt securities that the Bank is ready to sell due to changes in market interest rates or risks, liquidity needs, availability and profitability of alternative investments, sources and conditions of financing or changes in currency risk;

- shares and other financial investments that the Bank is ready to sell due to changes in risks, liquidity needs, availability and profitability of alternative investments.

Financial investments at fair value through other comprehensive income are subject to revaluation. All financial investments at fair value through other comprehensive income are revised for impairment at the balance sheet date.

Transaction costs associated with acquisition of debt securities at fair value through other comprehensive income are recognised in discount accounts at the time of their initial recognition.

Analytical accounting of financial investments at fair value through other comprehensive income is performed in the context of their issuers and issues.

Financial investments at fair value through other comprehensive income are subject to revaluation. As of the balance sheet date, the revaluation result is recognised in equity in the analytical account of balance sheet account 5102 as the difference between the fair value of the security and its carrying amount determined at the revaluation date.

For debt securities at fair value through other comprehensive income, the Bank recognises interest income, including interest income in the form of amortization of the discount (premium), using the effective interest rate. The Bank receives dividends from holding securities with undefined income.

The Bank applies the effective interest rate method taking into account the requirements defined by the regulatory acts of the National Bank of Ukraine on the accounting of income and expenses.

The Bank recognises interest income on financial investments at fair value through other comprehensive income at their revaluation date and mandatory at the balance sheet date, but at least once a month.

If the Bank recognized impairment of the financial investments, interest income is recognized by applying interest rate used to discount future cash flows during the last assessment of impairment losses.

If the terms of debt securities issue provide for a gradual or partial repayment of their face value, then this decrease in the face value of the security is taken into account for accrual of interest and calculation of the effective interest rate on securities.

3.10. Repurchase (repo) agreements for sale (purchase) of securities

Repo agreements for sale (purchase) of securities are transactions with securities which consists of two parts where the framework agreement is concluded between market participants on the sale (purchase) of securities for a certain period with the obligation to repurchase within a certain period or at the request of one of the parties at a fixed price. In economic essence, the repo agreement for sale (purchase) of securities is a credit transaction where securities are used as collateral.

The Bank reclassifies securities sold under repo agreements, under which the buyer is entitled to sell or to pledge securities, into "repo" debt receivables at fair value through profit or loss.

Securities purchased under a 'repo' agreement with the right to subsequent sale, if sold to a third party, are recorded by the buyer at fair value as a liability for the return of securities on accounts payable for repo transactions at fair value through profit or loss.

3.11. Financial investments carried at amortized cost.

This category includes purchased debt securities with fixed payments or with payments that can be determined and a fixed maturity. Debt securities are financial investments carried at amortised cost if the Bank intends and is able to hold them to maturity in order to generate interest income.

The Bank does not initially attribute securities to financial investments carried at amortized cost if:

- intends to hold the securities for indefinite period;
- ready to sell them in case of changes in market interest rates, risks, liquidity needs;
- the terms of issue of perpetual debt securities provide for the payment of interest for an indefinite period of time (i.e. no fixed maturity);
- the issuer has the right to repay securities with an amount significantly lower than their amortized cost.
- does not have financial resources to finance securities until their maturity;
- there is a legal or other restriction that may prevent the Bank's intention to hold securities until their maturity.

Securities expected for early repayment may be recognized as financial investments carried at amortized cost if the Bank intends and is able to hold them until maturity.

Acquired debt securities are recorded in the context of the following components: nominal value, discount or premium, the amount of accumulated interest on the purchase date. The transaction costs incurred at purchase of debt securities are included in the purchase price and are recorded in accounts for discount (premium).

Після первісного визнання боргові цінні папери на дату балансу відображаються за їх амортизованою собівартістю.

After initial recognition, debt securities are recorded at their amortised cost at the balance sheet date.

The Bank recognizes income and amortizes discount (premium) on debt securities at least once a month using the effective interest rate method.

Debt securities in the Bank's portfolio to maturity are revised for impairment.

For financial investments carried at amortized cost, the Bank recognizes interest income, including in as amortization of the discount (premium) using the accrual principle and the effective interest rate method.

The Bank recognizes interest income on debt securities as the product of amortized cost and the initial effective interest rate of the respective security, including securities for which impairment was recognized.

At the balance sheet date, debt securities carried at amortised cost are reviewed for possible impairment based on an analysis of expected cash flows.

The impairment of debt securities carried at amortised cost is recognised in accounting by creating a provision for the amount of excess of the securities carrying amount over the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition).

Debt securities that are not repaid within the period determined by the issuer are accounted for in separate analytical balance sheet accounts for securities.

3.12. Investments in associates.

There are no investmnets in associates.

3.13. Investment property.

Investment property includes land, buildings or parts of a building or land and a building owned by the Bank or received by the Bank under a financial lease agreement for the purpose of obtaining lease payments, capital gains or one or the other, and not for providing services or administrative purposes.

One and the same property can be divided into separate parts, used for different purposes: one part - to generate income from rent or increase capital, the other – to be used in the course of the Bank's activities or for administrative purposes. If these parts can be sold separately, then the part that is used to generate income from rent or increase capital will be accounted by the Bank as investment property. If these parts cannot be sold separately, then such an object is recognized as investment property provided that only 15% or less of the total area of the object is retained by the Bank for use in the course of the Bank's activities or for administrative purposes.

Investment property is initially recognised at cost and is subsequently recognised at fair value, which reflects market conditions at the reporting date.

Gains and losses resulting from changes in the fair value of investment property are recognised in the statement of profit or loss as net gain or loss from revaluation of investment property in the year they occurred. If the investment property becomes the property occupied by the owner, it is reclassified to fixed assets at the current book value at the date of reclassification, which is further subject to depreciation.

As of the end of the year, 1 object that was purchased by the Bank as a result of foreclosure on collateral and subsequently was leased is recorded on the Bank's balance sheet as investment property. It is carried at fair value on the balance sheet. In 2023, the Bank accounted for changes in the fair value of the investment property because the value the object is recorded on the balance sheet differs from its fair value determined by independent experts at the balance sheet date. The Bank evaluates investment property once a year before the annual financial statements is prepared (in the last quarter of the year). Independent experts are involved in the assessment. In 2023, the assessment was carried out by the Appraiser "KANSAS REAL ESTATE" LLC (code 37195440), the evaluation method used was Comparative.

3.14. Goodwill.

There is no goodwill.

3.15. Property, plant and equipment.

The Bank establishes the value characteristic of items included in property, plant and equipment in the amount established by tax legislation for fixed assets. Low-value non-current tangible assets include tangible assets with a useful life of more than a year and a value equal to or less than the value of fixed assets established by tax legislation. If the tangible asset has a useful life of less than a year, then regardless of the value, it must be recorded in expenses for the current period.

Property, plant and equipment are carried at cost, which includes all costs associated with the acquisition, delivery, installation and commissioning. Subsequently, in the balance sheet of the Bank, property, plant and equipment are carried at acquisition cost less accumulated depreciation.

Real estate objects (buildings) in the balance sheet are recorded at fair value, which is determined by an independent appraiser. They are evaluated once a year before the preparation of annual financial statements in (the last quarter of the year). Independent experts are involved in the assessment. In 2023, they were evaluated by the Appraiser "KANSAS REAL ESTATE" LLC (code 37195440). Comparative and Profitable methods were applied during the evaluation. Since the market value did not differ significantly from the book value (within 10%) at the valuation date, it was not recorded in the accounts.

Property, plant and equipment are depreciated using a straight-line method during the useful life of the objects, which is established by the Bank during their initial recognition and indicated in the act of commissioning.

The useful life of property, plant and equipment is determined by a special commission, which is approved by order of the Bank and indicated in the Act of acceptance-transfer (internal movement) of the fixed asset item during its commissioning.

Useful lives of property, plant and equipment (in months) are as follows:

- houses and structures - 600;
- vehicles - 60-84;
- telephone equipment - 24-60;
- Inventory (furniture) - 48-180;
- office equipment - 24-60;
- computer equipment - 24 - 60;
- household appliances - 36 - 120;
- other fixed assets - 24 - 144.

Terms of useful life of property, plant and equipment were not revised during 2023.

3.16. Intangible assets.

A purchased intangible asset is recognized as an asset if there is a probability of obtaining future economic benefits associated with its use, and its value can be reliably determined.

Intangible assets are recognized and measured at cost, which includes all acquisition, delivery and commissioning costs.

After initial recognition, intangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Intangible assets are accounted for individually.

Intangible assets are depreciated using a straight-line method, based on the initial cost and useful life of an intangible asset. Terms of useful use of intangible assets are specified in the Act of putting in operation of the intellectual property rights object of as part of an intangible asset during its commissioning.

Intangible assets are amortized on a monthly basis that begins on the first day of the month following the reporting month, in which the object was put in operation; and ceases, starting from the first day of the month following the month of disposal of the intangible asset.

When determining the useful life of intangible assets, the Bank takes into account technical characteristics, current trends in technology, programs for technical improvement and maintenance of assets, unless the primary documents indicate for how long the right to use is granted.

The Bank did not reevaluate intangible assets during 2023.

During 2023, the Bank did not change depreciation rates, useful life and did not reevaluate the original value of intangible assets.

3.17. Leases under which the Bank is a lessor and/or a lessee.

The lease is an agreement that transfers to the user (a lessee) the right to control the use of the identified asset for a period of time in exchange for a payment. A portion of an asset may be separated as a separate identifiable asset if it is physically subject to delimitation. If it cannot physically be separated, then part of the asset is not a separately identifiable asset, unless it represents practically the entire capacity of the asset and, as a result, transfers the right to receive almost all economic benefits from the use of the asset. If the payment under the agreement contains more than one component of a lease or a combination of the lease and non-lease payment, in this case there is an allocation under the agreement, based on the relative values of the payment itself.

3.17.1. Assets provided in operating lease

An operating lease is an agreement contracts under which all risks and benefits regarding ownership of the asset are not transferred. Classification depends on the essence of the transaction, not the form of the agreement. The Bank recognises lease payments from operating leases as income on a straight-line basis. Expenses, including depreciation, incurred on receipt of rental income are recognized as expenses.

The property transferred by the Bank to operating lease remains on the balance sheet of the Bank and is recorded in a separate analytical account indicating that this property is leased. During the lease term, the Bank accrues depreciation of non-current assets transferred to lease; and also accrues lease payments.

The Bank does not have non-current assets transferred to operating lease in 2023.

3.17.2 Assets received in operating lease

If the lease term is less than one year (a short-term agreement), or the underlying value of the leased asset is less than the equivalent of USD 5,000 at the exchange rate effective at the agreement date, the Bank does not recognize the right-of-use asset and lease liability. In this case, lease payments are recognized as expenses on a straight-line basis during the lease term and are recorded in expense accounts.

Otherwise, at the lease agreement commencement date, the Bank recognizes the asset in the form of the right-of-use asset at the initial value (initial cost) and a liability under the lease agreement.

The initial value of the asset includes:

- Initial cost of the liability under the lease agreement;
- lease payments made at the beginning or before the lease;
- initial direct costs incurred;
- estimated costs to be incurred in the disposal of an asset.

Initial value of a liability is defined as the present value of lease payments that have not yet been paid. Lease payments are discounted during the lease term using the interest rate stipulated by the contract or using the rate of raising funds of individuals for a period of more than a year, which is used by the Bank on the date the lease agreement is recognized.

Subsequently, the Bank evaluates the right-of-use asset at initial cost, applying the model where the value of an asset is computed:

- less accumulated depreciation and accumulated impairment losses;
- adjusted for revaluation of lease liability.

Depreciation is accrued from the lease agreement commencement date to the earlier of two dates: the end of the useful life of the right-of-use asset or the lease agreement expiry date.

Подальша оцінка зобов'язання за договором оренди здійснюється таким чином:

The liability under the lease agreement is subsequently evaluated with:

- increased carrying amount to reflect the interest on the lease liability;
- reduced carrying amount to reflect the lease payments paid;
- revalued carrying amount to reflect revaluation, lease modification or revision of essentially fixed lease payments.

The Bank shall reevaluate the lease liability by discounting the revised lease payments using the revised

discount rate in any of the following cases:

- change of lease term. The Bank shall determine revised lease payments based on revised lease term;
- change of purchase terms of the underlying asset. The Bank shall determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Bank defines the revised discount rate as the allowable interest rate on the lease for the remaining lease term, if such a rate can be easily determined, or as the rate of funds attraction from individuals for a period of more than a year, applied by the Bank at the revaluation date.

The Bank also revaluates the lease liability in the following cases:

- change in the amounts expected to be paid under the liquidation value guarantee;
- change in future lease payments due to the change in the index or rate used to determine such payments.

The Bank determines the revised lease payments for the remaining lease term by applying the interest rate on the lease commencement date.

3.18. Finance lease.

There is no finance lease where the Bank acts as a lessor and/or a lessee.

3.19. Non-current assets held for sale and disposal groups.

Non-current assets held for sale are non-current assets held to be sold and their carrying amount will be recovered by the sale transaction rather than in current use.

At the end of 2023 and 2022, the Bank does not have non-current assets held for sale.

3.20. Discontinued operation.

The Bank did not stop operating.

3.21. Derivatives.

Derivatives, including foreign currency exchange contracts and currency swaps, are carried at fair value. All derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in fair value of derivatives are recognized through profit or loss for the year. The Bank does not apply hedge accounting.

3.22. Borrowed funds.

The borrowed funds are initially recognized at the initial cost, which includes funds received less transaction costs. Subsequently, the borrowed funds are recognized at amortised cost and any difference between net proceeds and the cost of repayment is recognized in the statement of profit or loss and other comprehensive income during the period the borrowed funds are used by applying the effective interest method.

The borrowed funds raised at rates other than market rates are transferred at fair value as received. The fair value represents future interest payments and principal repayments discounted at market interest rates applicable to such borrowed funds.

The difference between the fair value and nominal value of the borrowed funds at the time they are received is recognized in the statement of profit or loss and other comprehensive income as an income when liabilities arise at rates that are lower than market rates, or as a loss when liabilities arise at rates that exceed market rates. Subsequently, the carrying amount of such borrowed funds is adjusted for the amount of depreciation of income (loss) incurred at the time they are received, and the corresponding expenses are included as interest expenses in the statement of profit and loss and other comprehensive income using the effective interest rate method.

3.23. Provisions for liabilities.

Provisions for liabilities are non-financial liabilities with an indefinite term or amount. Provisions are recorded in the financial statements when the Bank has a present legal or constructive liability as a result of

past events and when there is a possibility that the repayment of this liability will require diversion of resources that imply economic benefits, and the amount of this liability can be calculated with a sufficient level of accuracy.

3.24. Income tax.

In these financial statements, taxation is shown in accordance with the requirements of the legislation using tax rates and legislative norms that were in force or were actually enacted at the end of the reporting period. Income tax expense/credit includes current taxes and deferred taxes and is recognised in profit or loss for the year, unless they are to be recognised in other comprehensive income or directly in equity in connection with, that they relate to transactions that are also recorded in the same or another period in other comprehensive income or directly in equity.

Current tax is the amount, which, as expected, is due to or from tax authorities based on taxable profit/ loss for the current or previous periods.

The income tax rate according to the current legislation during 2022 was 18 percent, at the end of 2023 the tax legislation was amended, since the income tax rate for banks for 2023 is 50 percent. Starting from January 01, 2024, the income tax rate will be 25 percent, so deferred tax liabilities are calculated at the income tax rate of 25 percent.

The difference between accounting profit and profit determined in accordance with the norms of the current tax legislation arose as a result of different methods applied for determining profit in accounting and tax accounting.

As of COB 31.12.2023, there are no investments in subsidiaries and associates in the Bank.

During the reporting period, the Bank did not reduce its activities and therefore there are no income tax expenses related to profit (loss) from discontinued operations.

3.25. Share capital and share premium.

Ordinary shares are recognized in equity. Accumulated costs directly attributable to the issue of ordinary shares are recognised as a deductions from equity, net of any tax effects.

The Bank may declare and pay dividends only in accordance with the rules and regulations of the legislation of Ukraine.

Dividends on ordinary shares are recorded as the distribution of retained earnings (accumulated deficit) in the period they were declared.

3.26. Own shares repurchased from shareholders.

During the reporting period, the Bank did not repurchase its own shares from shareholders.

3.27. Income and expense recognition.

Interest income and expenses for all debt instruments are recorded on accrual basis using the effective interest method. This method includes in interest income and expenses all fees paid or received by the parties to the contract and which are an integral part of the effective interest rate, transaction costs, as well as all other premiums and discounts and distributes them throughout the entire period of the contract validity.

Commissions that are an integral part of the effective interest rate include commissions received or paid to form or purchase a financial asset or to issue a financial liability (for example, commissions for assessing solvency, for valuation or carrying guarantees or collateral, settling the terms for providing an instrument and processing documents under the agreement). The market interest rate commitment fees received by the Bank are an integral part of the effective interest rate if it is probable that the Bank will enter into a specific loan agreement and will not plan to get it repaid shortly after it was provided. The Bank does not classify loan commitments as financial liabilities at fair value through profit or loss.

If there is any doubt as to whether loans or other debt instruments can be repaid, their value is reduced to the present value of the expected cash flows, subsequently interest income is accounted for on the basis of the effective interest rate on the instrument used to measure the impairment loss.

All other payments, commissions and other income and expenses, as a rule, are accounted for by the accrual method depending on the extent a particular transaction is completed, which is computed as the part of the actual service provided to the total scope of provided services.

3.28. Revaluation of foreign currency.

The functional currency of the Bank is the currency of the primary economic environment the Bank operates in. The functional and presentation currency of the Bank's financial statements is the national currency of Ukraine - hryvnia.

Monetary assets and liabilities in foreign currency are translated into functional currency at the official exchange rate of the National Bank of Ukraine as at the end of the respective reporting period. Gains and losses from translation differences arising as a result of settlements in foreign currency and translation of monetary assets and liabilities into functional currency at the official exchange rates of the National Bank of Ukraine at the end of the year are recorded in profit or loss for the year (as profit less loss from trading with foreign currency and profit less loss from revaluation of foreign currency, respectively). Year-end rate translation does not apply to non-monetary items that are valued at cost. Non-monetary items that are measured at fair value in foreign currency, including investments in capital instruments, are translated at exchange rates at the fair value measurement date. The effect of exchange rate changes on non-monetary items measured at fair value is carried as part of the gain or loss on changes in fair value.

The Bank's performance results and financial position are translated into the presentation currency as follows:

- (i) the assets and liabilities in the presented statement of financial position are translated at the exchange rate effective at COB of the end of the relevant reporting period;
- (ii) income and expenses are translated at the average exchange rate (unless such average exchange rate is approximately equal to the cumulative effect of exchange rates effective on the dates of the relevant transactions, in which cases income and expenses are translated at the transaction date);
- (iii) capital components are translated at the historical exchange rate; and
- (iv) all resulting translation differences are recognised in other comprehensive income.

The main official hryvnia exchange rates used to recalculate assets and liabilities in foreign currency as of December 31 were as follows:

| Currency | Code | 2023 | 2022 |
|------------------------|------|---------|---------|
| US Dollar | 840 | 37.9824 | 36.5686 |
| Euro | 978 | 42.2079 | 38.951 |
| Swiss franc | 756 | 45.3846 | 39.5636 |
| British pound sterling | 826 | 48.4883 | 44.0048 |

3.29. Offsetting.

Financial assets and liabilities are offset and the net amounts are subsequently recorded in the statement of financial position only when there is a legally declared right to offset the recognized amounts and there is an intention to offset on the basis of the net amounts or simultaneously realize an asset and settle a liability.

3.30. Operating segments.

Operating segment is a component of a business entity that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results regularly reviewed by entity's operating decision maker (the Board of the Bank), and for which there is separate financial information.

The segment should be disclosed separately if most of its revenue is generated from banking activities outside the segment and at the same time its performance indicators meet the following criterion: income per segment is 10% or more of the combined income (including banking activities within the segment).

При складанні примітки, з врахуванням критерію, Банк визначив для себе такі звітні сегменти:

When preparing these notes, taking into account the criterion, the Bank determined the following reporting segments:

- Corporate business - providing loans, servicing deposits and current accounts of corporate clients;

- Services to clients of the Bank at work segment - servicing deposits, providing loans, servicing payment cards, money transfers and cash management services for individuals and small and medium-sized businesses;
- Services to clients of the Private Banking segment - providing loans, servicing deposits and current accounts of wealthy clients;
- Treasury operations - this segment includes trading operations with financial instruments, capital markets operations, operations with foreign currency and banknotes, correspondent relations with the NBU and other Banks;
- Head office and unallocated items - fixed assets, deferred tax assets, prepayments, receivables and payables related to administrative and business activities.

Segment assets and liabilities include operating assets and liabilities that are mainly presented in the balance sheet.

Transactions between segments are carried out on commercial terms. Funds are redistributed between segments, which leads to the emergence of transfer income and expenses, which are disclosed in the operating income (see "Transfer income" and "Transfer expenses" of the items "Interest income" and "Interest expenses"). The interest charged for these funds is determined in accordance with the calculations of the costs of financing the Bank. Adjustments for internal settlements and transfer pricing were recorded in the results of each segment, there are no other significant items of income and expenses on transactions between segments.

Information on the geographical segment is not provided because the Bank does not operate outside Ukraine.

3.31. Related party transactions.

According to IAS 24 "Related Party Disclosures", the parties are generally considered to be related if they are under common control, joint control or one party has the ability to control the other or may have a material influence in financial and operational decisions.

In the ordinary course of business, banking transactions are conducted with major shareholders, companies under joint control and other related parties. When considering the relationship with each possible related party, special attention is paid to the content of the relationship, and not just their legal form.

The methods of valuation of assets and liabilities used for recognising transactions with related parties do not differ from those generally accepted.

Transactions with related parties of the Bank do not provide for more favorable conditions than transactions concluded with other persons.

3.32. Effect of changes in the accounting policy, accounting estimates and adjusting material misstatements.

IFRS 16 Leases became effective on January 1, 2019 and made significant changes to the accounting for lease transactions, especially to accounting for transactions of a lessee. In this regard, the Bank amended its accounting policy, detailed description of which is given in paragraph 3.17 of Note 3 "Basis for Preparation and Significant Accounting Policy" and in Note 4 "New and Revised Accounting Standards" of this Report.

3.33. Key estimates and judgements in application of the accounting policies.

Preparation of the financial statements requires management to form judgments, estimates and assumptions that affect the application of accounting policies, the amount of assets and liabilities, income and expenses reflected in the statements and the disclosure of information about possible assets and liabilities. Judgments are constantly being improved and are based on the previous experience of the Bank's specialists and other factors, including future events that can be reasonably expected under current circumstances.

The judgments that have the most significant impact on the amounts recognised in the financial statements and the estimates that may result in significant adjustments to the carrying amounts of assets and liabilities during the following periods include:

Going concern

In the event of a sharp deterioration in conditions and the emergence of a threat to violate the capital and liquidity standards, the Bank applies the following measures:

- dividends not paid to shareholders of the Bank, streamlining the previous years' profits to increase the Bank's capital;

- new asset operations are suspended, overdraft limits and credit lines are closed;
- administrative costs reduced, including software costs;
- bonuses and incentive costs reduced;
- capital increased through financial assistance from shareholders;
- funds received from the National Bank of Ukraine to maintain liquidity;
- work activated to retain customer deposits.

The Bank's management has assessed the existing significant uncertainty related to the ongoing hostilities on the territory of Ukraine, which have already caused and continue to cause significant negative consequences both for the Ukrainian economy as a whole, and for the Bank's clients in particular, on the assumptions underlying the management's assessment of continuing as a going concern.

In the nearest future, the Bank will continue to operate under martial law under the current business model.

In order to minimize the negative consequences of the military aggression of the Russian Federation, the Bank took the following measures to ensure the Bank's ability to continue as a going concern and to meet the norms (ratios) established by the National Bank of Ukraine.

1. On 24.02.2022, the Bank stopped granting loans to new customers, dealt with debt repayment for existing loans, which allowed the Bank to reduce the loan portfolio from UAH 2,112 million to UAH 1,875 million as of 09.05.2022.

| <i>Loan portfolio</i> | 23.02.2022 | 09.05.2022 | changes from | | changes from | | changes from | |
|---|----------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|--|
| | | | 24.02.2022 to 09.05.2022 | 30.12.2022 | 24.02.2022 to 31.12.2022 | 31.12.2023 | 24.02.2022 to 31.12.2023 | |
| <i>Debt receivables on corporate loans</i> | 1 936 229 656 | 1 708 986 996 | -227 242 660 | 1 586 371 154 | -349 858 502 | 1 688 708 816 | -247 520 840 | |
| <i>Debt receivables on loans to individuals</i> | 175 693 515 | 166 248 480 | -9 445 035 | 126 331 870 | -49 361 645 | 96 829 496 | -78 864 019 | |
| <i>Total loan portfolio</i> | 2 111 923 171 | 1 875 235 476 | -236 687 695 | 1 712 703 024 | -399 220 147 | 1 785 538 311 | -326 384 860 | |

2. The Bank reduced the purchase of new equipment and furniture for the period of martial law.

3. Some of the Bank's employees were transferred to part-time work schedule or were sent on leave without pay, while the Bank reduced the payment of bonuses, which allowed to reduce labor costs from UAH 14.7 million in January 2022 to UAH 9.2 million in April 2022. In 2023, the Bank did not make staff and payroll cuts due to the revival of the economic situation in the country.

4. In order to preserve the Bank and clients' data from possible physical destruction during the war, some of the bank servers are backed up in AWS cloud.

5. Since 24.02.2022, the Bank has been actively working with its depositors- physical persons, which allowed the Bank to keep the volume of deposits and customer accounts and do not let them decrease sharply.

| <i>Customer accounts</i> | 23.02.2022 | 09.05.2022 | changes from | | changes from | | changes from | |
|--------------------------|-------------|---------------|-----------------------------|-------------|-----------------------------|---------------|-----------------------------|--|
| | | | 24.02.2022 to 09.05.2022 | 30.12.2022 | 24.02.2022 to 31.12.2022 | 31.12.2023 | 24.02.2022 to 31.12.2023 | |
| <i>Cash on demand</i> | 929 909 594 | 1 001 891 372 | 71 981 778 | 988 942 039 | 59 032 445 | 1 062 639 650 | 132 730 056 | |
| <i>Term deposits</i> | 475 751 915 | 369 101 582 | -106 650 333 | 369 146 952 | -106 604 963 | 678 035 732 | 202 283 817 | |

Since 24.02.2022, the above measures have been allowing the Bank to ensure its ability to continue as a going concern, to fulfill all its obligations to customers, to maintain the norms (N) of the National Bank of Ukraine within the established ratios, and even to begin providing targeted loans to the customers and small and medium-sized businesses (so far in a small amount) from June 2022. In 2023, the Bank increased the scope of deposits and customer accounts in comparison to their scope as at 23.02.2022.

The main standards of the Bank as of 30.12.2022 exceeded the values established by the NBU and amounted to:

Основні нормативи Банку станом за 30.12.2022 перевищували встановлені НБУ значення та склали:

As at 30.12.2022, the key norms of the Bank exceeded the ratios established by the NBU and amounted to:

| N1 | N2 | N3 | N7 | N8 | N9 | LCR_BB | LCR_IB | NSFR |
|----|----|----|----|----|----|--------|--------|------|
|----|----|----|----|----|----|--------|--------|------|

| | | | | | | | | |
|-------------|--------|--------|--------|---------|--------|---------|---------|---------|
| 607 234 960 | 28,23% | 25,33% | 19,80% | 163,05% | 19,82% | 244,57% | 307,95% | 251,53% |
|-------------|--------|--------|--------|---------|--------|---------|---------|---------|

As at 30.12.20223, the key norms of the Bank also exceeded the ratios established by the NBU and amounted to:

| N1 | N2 | N3 | N7 | N8 | N9 | LCR_BB | LCR_IB | NSFR |
|-------------|--------|--------|--------|--------|-------|---------|---------|---------|
| 989 941 358 | 42,96% | 25,16% | 17,29% | 83.75% | 2,45% | 266,15% | 415,44% | 235,03% |

At the shareholders' meeting in November 2022, the Management Board of the Bank made a proposal to shareholders regarding streamlining the profit for 2021 in the amount of UAH 120,120,854.60 to the reserve fund with the subsequent allocation of the entire amount to cover the losses of previous years, which as of 31.12.2021 amounted to 163,248,322.49 UAH. In May 2023, the Board of the Bank made a proposal to shareholders regarding streamlining the profit for the 2022 in the amount of UAH 83,575,016.05 as follows: to the reserve fund in the amount substantial to cover losses of the previous years, which as of 31.12.2022 amounted to UAH 43,127,467.89, with the remaining profit in the amount of UAH 36,265,016.05 to be left unallocated.

Military aggression of russia makes it impossible to operate in the temporarily occupied territories, adds specific risks to almost all areas of business and people's lives. The volume of destruction and losses caused by the war has been growing. Further activities of the Bank, as well as the entire financial system of the country, will depend on future events at the frontline. The situation when it is impossible to predict the future events, the end of hostilities and their impact on the economy creates an uncertainty.

At the same time, a positive factor that has effect on the ability to continue as a going concern is the fact that macroeconomic situation is largely determined by the predictability and existence of external financial support, which covers the deficit of trade in goods and services, most of the budgetary needs, and also allows to increase international reserves.

In view of the above, the Bank's management believes that the Bank has a sufficient safety margin to maintain its operation as going concern and is observing tendencies to stabilize the situation in the Bank.

The transfer of all critical services to the cloud infrastructure undoubtedly ensures the ability of the Bank to continue its operation and the safety of customers and employees.

Nevertheless, given the ongoing hostilities, the Bank's management recognizes that the Bank's further activities, as well as the entire financial system of the country, will depend on further developments at the frontline, and the situation when it is impossible to predict the future events, the end of hostilities and their impact on the economy creates the basis for material uncertainty, which could cast significant doubt on the Bank's ability to continue as a going concern amid the ongoing military conflict. Consequently, events may occur in which the Bank will not be able to realize its assets and repay its liabilities in the normal course of its future business.

Based on the forecast liquidity ratios, capital adequacy ratios, the amount of expected credit losses, the management of the Bank believes that there are sufficient grounds for preparation of these financial statements on the going concern basis.

Initial recognition of assets and liabilities

After initial recognition, the Bank evaluates the debt financial asset based on the business model and characteristics of the contractual cash flows at:

- 1) amortized cost;
- 2) fair value through other comprehensive income;
- 3) fair value through profit/loss.

The Bank defines a business model for the groups of financial assets, rather than for an individual asset, by managing them together to achieve a certain business goal.

The Bank regularly evaluates the business model used to manage financial assets in order to generate cash flows. At the date of business model evaluation, the Bank considers all objective evidence (factors) that are available at this date, including:

- 1) business model assessment for effectiveness, profitability of the financial assets held within this business model, and information provided to key management;

2) risks affecting the effectiveness of the business model, including the profitability of financial assets held within this business model, as well as the way these risks are managed;

3) indicators that determine the mechanism of compensation to managers.

The Bank evaluates and carries a debt financial asset at amortized cost if the following conditions are simultaneously met:

1) the financial asset is held within the business model, which purpose is to hold financial assets to generate contractual cash flows;

2) the contract underlying the financial asset provides for fixed dates of cash flows, which are exclusively payments for the principal amount and interest on the outstanding part of the principal amount.

Impairment of loans and advances to customers.

The Bank recognises an estimated allowance for expected credit losses on debt financial assets carried at amortised cost and debt financial assets carried at fair value in other comprehensive income.

The Bank recognises the estimated allowance for the financial asset at the Stage 1 of impairment (expected credit losses for 12 months) not later than at the nearest reporting date after the initial recognition of the financial asset. The nearest reporting date for the purpose of forming an estimated allowance for expected credit losses on financial instruments is the last day of the month in which the financial instrument was recognized.

As of the next reporting date after initial recognition, the Bank assesses the level of increase in expected credit risk for a financial instrument from the date of its initial recognition.

The Bank continues to recognise the valuation reserve for a financial asset at the first stage of impairment if, at the reporting date, the risk level for the financial asset has not increased significantly since the date of initial recognition of the asset or the financial asset has low credit risk at the reporting date.

The Bank recognises an estimated allowance for a financial asset at the Stage 2 of impairment (expected credit losses over the lifetime of the financial asset) if, at the reporting date, the level of risk from the date of initial recognition has increased significantly.

The Bank recognizes the estimated allowance for a financial asset at the Stage 3 of impairment (expected credit losses for the entire life of the financial asset), if at the reporting date there is an objective evidence of the impairment of the financial asset.

The Bank does not recognise an estimated allowance for purchased or created impaired financial assets at the date of initial recognition. The initially expected credit losses on such financial asset are included in the effective interest rate adjusted for credit risk.

For such financial asset, the transition from the Stage 3 of impairment to Stage 1 and Stage 2 is impossible.

When assessing the impairment of assets, the value of a financial asset with the risk of non-repayment can be reduced by the amount of collateral weighted by the liquidity ratio less costs of sale, while the time required to sell the collateral is also considered.

When assessing the impairment of a financial asset, the acceptable collateral value is considered if all of the following principles are simultaneously observed:

- it can be seamlessly collected;
- it is fairly valued;
- its is available.

The principle of fair valuation means that the Bank recognizes collateral at a value that does not exceed the market (fair) value and ensures its sale to a third-party buyer. The intervals of collateral revaluation are determined by the Bank separately for each type of collateral.

Evaluation of property, plant and equipment (buildings and land)

The Bank's real estate property (buildings and land included in property, plant and equipment and investment property) is carried at fair value. Management engages external independent appraisers to assess the fair value of real estate objects. The fair value of real estate is determined on the basis of the method of market comparisons, which reflects the prices of recent transactions with similar real estate objects, and the income method. Assessment of the fair value of buildings requires judgments and application of assumptions regarding the comparability of property objects and other factors.

4. New and Revised Accounting Standards

The adopted accounting policy corresponds to the accounting policy applied in the previous reporting year, except for the new standards that became effective on January 1, 2024.

The Bank has not early applied any standards, clarifications or amendments that have been issued but have not yet become effective.

NEW AND AMENDED STANDARDS MANDATORY FOR APPLICATION AT THE BANK FROM JANUARY 1, 2023

IFRS (IAS) 17 Insurance contracts

This standard replaces IFRS 4 *Insurance Contracts*, which currently allows for a wide range of insurance contract accounting practices. IFRS 17 *Insurance Contracts* will fundamentally change the approach to accounting for insurance contracts and investment contracts with discretionary participation features for insurers and groups in insurance business. The International Accounting Standards Board issued a narrow-scope amendment to the transition requirements in IFRS 17 *Insurance Contracts*, which was in need for the reporting entities who were preparing for application of the new standard for the first time.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1 *Presentation of Financial Statements* are intended to assist entities in ensuring the disclosure of accounting policies that are more useful to users by replacing the requirement to disclose significant accounting policies with the requirement to disclose material accounting policy information; in clarifies how business entities should apply the concept of "materiality" when making decision about the accounting policy disclosure.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8 *Accounting Policies, Accounting Estimates and Errors* clarify a distinction between changes in accounting policies and accounting estimates and define accounting estimates as monetary amounts in the financial statements that are subject to measurement uncertainty.

IFRS (IAS) 12 Income Taxes

These amendments suggest the need to recognize deferred taxes on transactions that at their initial recognition give rise to identical amounts of taxable and deductible temporary differences.

These amendments do not have significant impact on the Ban's financial statements.

NEW AND AMENDED STANDARDS FOR FUTURE MANDATORY APPLICATION BY THE BANK

The following new standards and interpretations have been published and will be binding on the Bank for reporting periods beginning on or after 1 January 2024.

The Bank did not early apply these standards and interpretations prior to their mandatory application.

IFRS (IAS) 1 Presentation of Financial statements

It is clarified that for a liability to be classified as non-current, the company has the right to defer settlement of the liability for at least 12 months and this right must exist at the end of the reporting period. The right to defer settlement of a liability for at least 12 months after the end of the reporting period must be real and must exist at the end of the reporting period, regardless of whether the entity plans to exercise this right.

The amendments also suggest that entity may classify liabilities arising under the loan agreement as non-current while its right to defer settlement of those liabilities is subject to its compliance with covenants within twelve months after the end of the reporting period.

IFRS 16 Leases

Amendments to IFRS 16 Leases clarify how the entity discloses sale and leaseback transactions after the the transaction date. A sale transaction followed by a lease is a transaction in which an entity sells an asset and leases the same asset from a new owner for a certain period of time. The amendments supplement the requirements of IFRS 16 for sale and leaseback, thereby maintaining consistent application of this standard.

IAS 7 Statement of Cash Flows and IFRS 17 Financial Instruments: Disclosures

Amendments to IAS 7 *Statement of Cash Flows* and IFRS 17 *Financial Instruments: Disclosures – Supplier Finance Agreements* address the disclosure requirements to enhance the transparency of supplier finance agreements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

IAS 21 The Effects of Changes in Foreign Exchange Rates

Changes to IAS 21 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* are mandatory from 01.01.2025. Early application is allowed.

The changes concern the definition of exchangeable currency. The standard is supplemented with a definition of what exchangeable currency is, instructions on how to determine whether a currency is exchangeable, how to determine the spot exchange rate if the currency is not exchangeable, and how to disclose it in the financial statements.

5. Cash and Cash Equivalents.

Table 5.1 Cash and cash equivalents.

| Line | Item | UAH thousand | |
|------|--|------------------|------------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Cash and cash equivalents | 94 235 | 223 750 |
| 2 | Current accounts with the National Bank of Ukraine (except for mandatory reserves) | 215 508 | 194 297 |
| 3 | Correspondent accounts, deposits and overnight loans with other banks: | 178 380 | 272 347 |
| 3.1 | <i>In Ukraine</i> | 176 128 | 264 330 |
| 3.2 | <i>Abroad</i> | 2 252 | 8 017 |
| 4 | Deposit certificates of the NBU | 2 570 989 | 2 703 403 |
| 5 | Total cash and cash equivalents | 3 059 112 | 3 393 797 |
| 6 | Allowance for impairment | (5 960) | (8 948) |
| 7 | Total cash and cash equivalents | 3 053 152 | 3 384 849 |

Information in note 5, Table 5.1, line 7 is used for Statement of financial position.

Table 5.2 Analysis of changes in allowance for expected credit losses of cash and cash equivalents.

| Line | Item | UAH thousand | | | |
|------|--|----------------|------------|---------|----------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Allowance for impairment as at 01.01.2022 | (828) | (3) | - | (831) |
| 2 | (Increase)/decrease in allowance for impairment for the period | (7 956) | (3) | - | (7 959) |
| 3 | Effect of recalculation in presentation currency | (158) | - | - | (158) |
| 4 | Allowance for impairment as at COB 31.12.2022 | (8 942) | (6) | - | (8 948) |
| 5 | (Increase)/decrease in allowance for impairment for the period | 3 334 | 6 | - | 3 340 |
| 6 | Effect of recalculation in presentation currency | (352) | - | - | (352) |
| 7 | Allowance for impairment as at COB 31.12.2023 | (5 960) | - | - | (5 960) |

Table 5.3 Credit quality analysis of cash and cash equivalents as at 31.12.2023.

| Line | Item | Cash on hand | Current accounts with the NBU | Current accounts with other banks | Deposit certificates of the NBU | UAH thousand |
|----------|--|---------------|-------------------------------|-----------------------------------|---------------------------------|------------------|
| | | | | | | Total |
| 1 | Stage 1 cash and cash equivalents | 94 235 | 215 508 | 178 380 | 2 570 989 | 3 059 112 |
| 1.1 | Cash and cash equivalents not impaired | 94 235 | 215 508 | 178 380 | 2 570 989 | 3 059 112 |
| 2 | Total cash and cash equivalents | 94 235 | 215 508 | 178 380 | 2 570 989 | 3 059 112 |
| 3 | Allowance for impairment | - | - | (5 960) | - | (5 960) |
| 4 | Total cash and cash equivalents less allowance for impairment | 94 235 | 215 508 | 172 420 | 2 570 989 | 3 053 152 |

Table 5.4 Credit quality analysis of cash and cash equivalents as at 31.12.2022.

| Line | Item | Cash on hand | Current accounts with the NBU | Current accounts with other banks | Deposit certificates of the NBU | UAH thousand |
|----------|--|----------------|-------------------------------|-----------------------------------|---------------------------------|------------------|
| | | | | | | Total |
| 1 | Stage 1 cash and cash equivalents | 223 750 | 194 297 | 272 155 | 2 703 403 | 3 393 605 |
| 1.1 | Cash and cash equivalents not impaired | 223 750 | 194 297 | 272 155 | 2 703 403 | 3 393 605 |
| 2 | Stage 2 cash and cash equivalents | - | - | 192 | - | 192 |
| 2.1 | Cash and cash equivalents not impaired | - | - | 192 | - | 192 |
| 3 | Total cash and cash equivalents | 223 750 | 194 297 | 272 347 | 2 703 403 | 3 393 797 |
| 4 | Allowance for impairment | - | - | (8 948) | - | (8 948) |
| 5 | Total cash and cash equivalents less allowance for impairment | 223 750 | 194 297 | 263 399 | 2 703 403 | 3 384 849 |

6. Loans and Advances to Customers.

Table 6.1 Loans and advances to customers.

| Line | Item | UAH thousand | |
|----------|---|------------------|------------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Loans and advances to customers at amortized cost | 1 439 670 | 1 277 952 |
| 2 | Total loans and advances to customers less allowance | 1 439 670 | 1 277 952 |

Information in note 6, Table 6.1, Line 2 is used for Statement of financial position.

Table 6.2 Loans and advances to customers at amortized cost

| Line | Item | UAH thousand | |
|----------|-----------------------------------|------------------|------------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Corporate loans | 1 688 709 | 1 586 371 |
| 2 | Mortgage loans to individuals | 1 856 | 6 657 |
| 3 | Consumer loans to individuals | 94 973 | 119 675 |
| 4 | Allowance for impairment | (345 868) | (434 751) |
| 5 | Total loans less allowance | 1 439 670 | 1 277 952 |

Information in note 6, Table 6.2, Line 5 is used for Statement of financial position.

Table 6.3 Analysis of changes in allowance for expected credit losses for loans for the year 2023.

| Line | Changes in allowance | UAH thousand | | | |
|-----------|---|-----------------|----------------|------------------|------------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Balance as at 01.01.2023 | (17 603) | (3 762) | (413 386) | (434 751) |
| 2 | (Increase)/decrease in allowance for ECL for the period | (60 048) | 1 196 | (160 848) | (219 700) |
| 3 | Bad debt write off | - | - | 237 | 237 |
| 4 | Loans sold | - | - | 301 634 | 301 634 |
| 5 | Gain/loss from changes in allowance | - | - | (7 153) | (7 153) |
| 6 | Adjusted interest income carried at amortized cost | - | - | 10 280 | 10 280 |
| 7 | Transferred to Stage 1 | (141) | 135 | 6 | - |
| 8 | Transferred to Stage 2 | 259 | (259) | - | - |
| 9 | Transferred to Stage 3 | 802 | 2 059 | (2 861) | - |
| 10 | Currency translation differences | 970 | - | 2 615 | 3 585 |
| 11 | Balance as at COB 31.12.2023 | (75 762) | (631) | (269 476) | (345 868) |

Table 6.4 Analysis of changes in allowance for expected credit losses for loans for the year 2022.

| Line | Changes in allowance | UAH thousand | | | |
|----------|---|-----------------|-----------------|------------------|------------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Balance as at 01.01.2022 | (15 981) | (18 207) | (284 948) | (319 136) |
| 2 | (Increase)/decrease in allowance for ECL for the period | (1 673) | 8 287 | (124 232) | (117 618) |
| 3 | Gain/loss from changes in allowance | - | - | (19 595) | (19 595) |
| 4 | Adjusted interest income carried at amortized cost | - | - | 19 570 | 19 570 |
| 5 | Transferred to Stage 1 | (2 054) | 2 052 | 2 | - |
| 6 | Transferred to Stage 2 | 192 | (192) | - | - |
| 7 | Transferred to Stage 3 | 1 902 | 4 207 | (6 109) | - |
| 8 | Currency translation differences | 11 | 91 | 1 926 | 2 028 |
| 9 | Balance as at COB 31.12.2022 | (17 603) | (3 762) | (413 386) | (434 751) |

Table 6.5 Analysis of changes in gross carrying amount of loans and advances to customers at amortized cost for the year 2023.

| Line | Item | UAH thousand | | | |
|----------|---|------------------|---------------|----------------|------------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Carrying amount as at January 1 | 1 192 191 | 72 688 | 447 824 | 1 712 703 |
| 2 | Initial recognition of financial assets | 647 950 | 76 402 | 6 919 | 731 271 |
| 3 | Derecognition of financial assets | (574 432) | (12 834) | (366 277) | (953 543) |
| 4 | Financial assets write-off | - | - | 237 | 237 |
| 5 | Transferred to Stage 1 | 13 207 | (12 996) | (211) | - |
| 6 | Transferred to Stage 2 | (450) | 450 | - | - |

| Line | Item | Stage 1 | Stage 2 | Stage 3 | Total |
|-----------|--|------------------|---------------|----------------|------------------|
| 7 | Transferred to Stage 3 | (166 971) | (26 667) | 193 638 | - |
| 8 | Currency translation differences | 22 415 | - | 47 | 22 462 |
| 9 | Other changes | 208 381 | (20 119) | 84 146 | 272 408 |
| 10 | Carrying amount as at December 31 | 1 342 291 | 76 924 | 366 323 | 1 785 538 |

Table 6.6 Analysis of changes in gross carrying amount of loans and advances to customers at amortized cost for the year 2022.

UAH thousand

| Line | Item | Stage 1 | Stage 2 | Stage 3 | Total |
|-----------|--|------------------|----------------|----------------|------------------|
| 1 | Carrying amount as at January 1 | 1 207 410 | 406 220 | 296 127 | 1 909 757 |
| 2 | Initial recognition of financial assets | 476 777 | 649 | 6 092 | 483 518 |
| 3 | Derecognition of financial assets | (547 700) | (206 571) | (14 031) | (768 302) |
| 4 | Transferred to Stage 1 | 105 828 | (105 720) | (108) | - |
| 5 | Transferred to Stage 2 | (39 635) | 39 635 | - | - |
| 6 | Transferred to Stage 3 | (32 177) | (82 880) | 115 057 | - |
| 7 | Financial assets write-off | - | - | (178) | (178) |
| 8 | Currency translation differences | 110 883 | 15 159 | 4 889 | 130 931 |
| 9 | Other changes | (89 195) | 6 196 | 39 976 | (43 023) |
| 10 | Carrying amount as at December 31 | 1 192 191 | 72 688 | 447 824 | 1 712 703 |

Table 6.7 Economic sector concentration of loans and advances to customers.

UAH thousand

| № | Economic sector | 31.12.2023 | | 31.12.2022 | |
|-----------|---|------------------|-------------|------------------|-------------|
| | | amount | % | amount | % |
| 1 | Manufacturing; distribution of electricity, gas and water | 14 466 | 0,81% | 74 541 | 4,35% |
| 2 | Real estate, lease, engineering and services | 9 027 | 0,51% | 13 906 | 0,81% |
| 3 | Trade; repair of cars and household equipment | 1 407 977 | 78,8% | 1 199 221 | 70,02% |
| 4 | Agriculture, hunting, forestry | 123 816 | 6,93% | 168 549 | 9,84% |
| 5 | Construction | 88 303 | 4,95% | 91 787 | 5,36% |
| 6 | Private security service | | | 968 | 0,06% |
| 7 | Landscape services | 9 439 | 0,53% | 10 920 | 0,64% |
| 8 | Mining | 12 984 | 0,73% | 17 215 | 1,01% |
| 9 | Rental and leasing | | | - | - |
| 10 | Insurance | 11 097 | 0,62% | - | - |
| 11 | Financial market management | | | 2 162 | 0,13% |
| 12 | Financial services, except for insurance and pension | 10 195 | 0,57% | 7 102 | 0,41% |
| 13 | Others | 1 404 | 0,08% | - | - |
| 14 | Individuals | 96 830 | 5,42% | 126 332 | 7,37% |
| 15 | Total loans and advances to customers less allowance | 1 785 538 | 100% | 1 712 703 | 100% |

Table 6.8. Loans and advances to customers by collateral type as at 31.12.2023.

UAH thousand

| Line | Change in allowance | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
|------|---------------------|-----------------|-------------------------------|-------------------------------|---------|
| 1 | Unsecured loans | 96 192 | | 69 290 | 165 482 |

| Line | Change in allowance | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
|----------|---|------------------|-------------------------------|-------------------------------|------------------|
| 2 | Collateralised loans: | 1 592 517 | 1 856 | 25 683 | 1 620 056 |
| 2.1 | Cash | - | - | 3 186 | 3 186 |
| 2.2 | Real estate | 132 721 | 1 856 | 3 984 | 138 561 |
| 2.2.1 | incl. Residential property | 10 449 | 1 814 | 3 508 | 15 771 |
| 2.3 | Guarantees and warranties | 568 438 | - | 6 128 | 574 566 |
| 2.4 | Other assets | 891 358 | - | 12 385 | 903 743 |
| 3 | Total loans and advances to customers less allowance | 1 688 709 | 1 856 | 94 973 | 1 785 538 |

Table 6.9. Loans and advances to customers by collateral type as at 31.12.2022.

UAH thousand

| Line | Change in allowance | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
|----------|---|------------------|-------------------------------|-------------------------------|------------------|
| 1 | Unsecured loans | 31 889 | - | 83 434 | 115 323 |
| 2 | Collateralised loans: | 1 554 482 | 6 657 | 36 241 | 1 597 380 |
| 2.1 | Cash | 5 000 | - | - | 5 000 |
| 2.2 | Real estate | 381 062 | 4 240 | 13 622 | 398 924 |
| 2.2.1 | incl. Residential property | 5 072 | 4 186 | 13 248 | 22 506 |
| 2.3 | Guarantees and warranties | 496 902 | 2 417 | 6 886 | 506 205 |
| 2.4 | Other assets | 671 518 | - | 15 733 | 687 251 |
| 3 | Total loans and advances to customers less allowance | 1 586 371 | 6 657 | 119 675 | 1 712 703 |

Table 6.10. Analysis of credit quality of loans and advances to customers as at 31.12.2023.

UAH thousand

| Line | Item | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
|----------|-----------------------------------|------------------|-------------------------------|-------------------------------|------------------|
| 1 | Stage 1: | 1 303 045 | 509 | 38 736 | 1 342 290 |
| 1.1 | not past due | 1 303 045 | 509 | 37 865 | 1 341 419 |
| 1.2 | less than 31 days past due | - | - | 871 | 871 |
| 2 | Stage 2: | 75 946 | - | 979 | 76 925 |
| 2.1 | not past due | 75 946 | - | 266 | 76 212 |
| 2.2 | less than 31 days past due | - | - | 8 | 8 |
| 2.3 | 32 to 92 days past due | - | - | 705 | 705 |
| 3 | Stage 3: | 309 718 | 1 347 | 55 258 | 366 323 |
| 3.1 | not past due | 187 757 | 1 249 | 16 966 | 205 972 |
| 3.2 | less than 31 days past due | - | 42 | 3 609 | 3 651 |
| 3.3 | 32 to 92 days past due | - | - | 269 | 269 |
| 3.4 | 93 to 183 days past due | 11 204 | - | 912 | 12 116 |
| 3.5 | 184 to 365 (366) days past due | 6 848 | - | 3 283 | 10 131 |
| 3.6 | More than 366 (367) days past due | 103 909 | 56 | 30 219 | 134 184 |
| 4 | Gross carrying amount | 1 688 709 | 1 856 | 94 973 | 1 785 538 |
| 5 | Allowance for impairment | (301 319) | (1 347) | (43 202) | (345 868) |
| 6 | Total loans less allowance | 1 387 390 | 509 | 51 771 | 1 439 670 |

Table 6.11. Analysis of credit quality of loans and advances to customers as at 31.12.2022.

| | | UAH thousand | | | |
|----------|-----------------------------------|------------------|-------------------------------|-------------------------------|------------------|
| Line | Item | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
| 1 | Stage 1: | 1 135 764 | 4 136 | 52 291 | 1 192 191 |
| 1.1 | not past due | 1 091 875 | 4 136 | 50 442 | 1 146 453 |
| 1.2 | less than 31 days past due | 43 889 | - | 1 849 | 45 738 |
| 2 | Stage 2: | 63 856 | - | 8 832 | 72 688 |
| 2.1 | not past due | 47 604 | - | 8 123 | 55 727 |
| 2.2 | 32 to 92 days past due | 16 252 | - | 709 | 16 961 |
| 3 | Stage 3: | 386 751 | 2 521 | 58 552 | 447 824 |
| 3.1 | not past due | 1 328 | 1 422 | 19 268 | 22 018 |
| 3.2 | less than 31 days past due | - | - | 168 | 168 |
| 3.3 | 32 to 92 days past due | - | - | 1 | 1 |
| 3.4 | 93 to 183 days past due | 20 210 | 54 | 3 545 | 23 809 |
| 3.5 | 184 to 365 (366) days past due | 359 268 | - | 15 057 | 374 325 |
| 3.6 | More than 366 (367) days past due | 5 945 | 1 045 | 20 513 | 27 503 |
| 4 | Gross carrying amount | 1 586 371 | 6 657 | 119 675 | 1 712 703 |
| 5 | Allowance for impairment | (384 367) | (2 292) | (48 092) | (434 751) |
| 6 | Total loans less allowance | 1 202 004 | 4 365 | 71 583 | 1 277 952 |

Table 6.12 The effect of collateral value on credit quality as at 31.12.2023.

| | | UAH thousand | | |
|----------|-------------------------------|-----------------------|------------------|----------------------------|
| Line | Item | Gross carrying amount | Collateral value | Effect of collateral value |
| 1 | Corporate loans | 1 688 709 | 506 391 | 1 182 318 |
| 2 | Mortgage loans to individuals | 1 856 | 1 856 | - |
| 3 | Consumer loans to individuals | 94 973 | 19 878 | 75 095 |
| 4 | Total loans | 1 785 538 | 528 125 | 1 257 413 |

Table 6.13 The effect of collateral value on credit quality as at 31.12.2022.

| | | UAH thousand | | |
|----------|-------------------------------|-----------------------|------------------|----------------------------|
| Line | Item | Gross carrying amount | Collateral value | Effect of collateral value |
| 1 | Corporate loans | 1 586 371 | 670 303 | 916 068 |
| 2 | Mortgage loans to individuals | 6 657 | 3 999 | 2 658 |
| 3 | Consumer loans to individuals | 119 675 | 35 809 | 83 866 |
| 4 | Total loans | 1 712 703 | 710 111 | 2 002 592 |

7. Investment securities.

Table 7.1 Investment securities.

| | | UAH thousand | |
|------|--------------------------------------|--------------|------------|
| Line | Item | 31.12.2023 | 31.12.2022 |
| 1 | Securities carried at amortized cost | 155 067 | - |

| Line | Item | 31.12.2023 | 31.12.2022 |
|----------|---|----------------|---------------|
| 2 | Securities at fair value through other comprehensive income | 479 944 | 84 684 |
| 3 | Securities at fair value through profit/loss | - | 13 093 |
| 4 | Total securities | 635 011 | 97 777 |

Information in note 7, Table 7.1, Line 4 is used for Statement of financial position.

Table 7.2 Investment securities carried at amortised cost.

| | | | | UAH thousand |
|----------|---|----------------|------------|--------------|
| Line | Item | 31.12.2023 | 31.12.2022 | |
| 1 | Debt securities | 155 115 | - | |
| 1.1 | Government bonds | 155 115 | - | |
| 2 | Provision for debt securities carried at amortized cost | (48) | - | |
| 3 | Total securities carried at amortized cost | 155 067 | - | |

Table 7.3 Securities at fair value through other comprehensive income.

| | | | | UAH thousand |
|----------|--|----------------|---------------|--------------|
| Line | Item | 31.12.2023 | 31.12.2022 | |
| 1 | Debt securities | 481 456 | 87 483 | |
| 1.1 | Government bonds | 481 456 | 87 483 | |
| 2 | Provision for debt securities at fair value through other comprehensive income | (1 512) | (2 799) | |
| 3 | Total securities at fair value through other comprehensive income | 479 944 | 84 684 | |

As at COB December 31, 2023, the Bank hold securities of PJSC "UICE" (Private Joint Stock Company "Ukrainian Interbank Currency Exchange") in the amount of UAH 10 thousand with fair value UAH 0 in its loan portfolio.

Table 7.4 Securities at fair value through profit/loss.

| | | | | UAH thousand |
|----------|---|------------|---------------|--------------|
| Line | Item | 31.12.2023 | 31.12.2022 | |
| 1 | Securities with non-fixed profit: | - | 13 093 | |
| 1.1 | with calculated fair value | - | 13 093 | |
| 2 | Total securities at fair value through profit/loss | - | 13 093 | |

Table 7.5 Analysis of changes in allowance for expected credit losses of investment securities at amortised cost.

| | | | | | | UAH thousand |
|----------|---|-------------|----------|----------|-------------|--------------|
| Line | Item | Stage 1 | Stage 2 | Stage 3 | Total | |
| 1 | Allowance for expected credit loss at COB 31.12.2022 | - | - | - | - | |
| 2 | (Increase)/decrease for the period | (48) | - | - | (48) | |
| 3 | Allowance for expected credit loss at COB 31.12.2023 | (48) | - | - | (48) | |

Table 7.6 Analysis of changes in allowance for expected credit losses of investment securities at fair value through other comprehensive income

| | | | | | | UAH thousand |
|----------|---|---------|---------|---------|-------|--------------|
| Line | Item | Stage 1 | Stage 2 | Stage 3 | Total | |
| 1 | Allowance for expected credit loss at COB 31.12.2021 | - | - | - | - | |

| | | | | | |
|----------|---|----------------|---|---|----------------|
| 2 | (Increase)/decrease for the period | (2 799) | - | - | (2 799) |
| 3 | Allowance for expected credit loss at COB 31.12.2022 | (2 799) | - | - | (2 799) |
| 4 | (Increase)/decrease for the period | 1 287 | - | - | 1 287 |
| 5 | Allowance for expected credit loss at COB 31.12.2023 | (1 512) | - | - | (1 512) |

Table 7.7 Analysis of credit quality of investment securities at amortised cost as at 31.12.2023.

| Line | Item | UAH thousand | | | |
|----------|---|----------------|---------|---------|----------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Debt securities at amortised cost | 155 115 | - | - | 155 115 |
| 1.1 | Minimal credit risk | 155 115 | - | - | 155 115 |
| 2 | Total gross carrying amount of debt securities at amortised cost | 155 115 | - | - | 155 115 |
| 3 | Allowance for expected credit loss of debt securities at amortised cost | (48) | - | - | (48) |
| 4 | Total debt securities at amortised cost | 155 067 | - | - | 155 067 |

Table 7.8 Analysis of credit quality of investment securities at fair value through other comprehensive income as at 31.12.2023.

| Line | Item | UAH thousand | | | |
|----------|--|----------------|---------|---------|----------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Debt securities at fair value through other comprehensive income | 481 456 | - | - | 481 456 |
| 1.1 | Minimal credit risk | 481 456 | - | - | 481 456 |
| 2 | Total gross carrying amount of debt securities at fair value through other comprehensive income | 481 456 | - | - | 481 456 |
| 3 | Allowance for expected credit loss of debt securities at fair value through other comprehensive income | (1 512) | - | - | (1 512) |
| 4 | Total debt securities at fair value through other comprehensive income | 479 944 | - | - | 479 944 |

Table 7.9 Analysis of credit quality of investment securities at fair value through other comprehensive income as at 31.12.2022.

| Line | Item | UAH thousand | | | |
|----------|--|---------------|---------|---------|---------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Debt securities at fair value through other comprehensive income | 87 483 | - | - | 87 483 |
| 1.1 | Minimal credit risk | 87 483 | - | - | 87 483 |
| 2 | Total gross carrying amount of debt securities at fair value through other comprehensive income | 87 483 | - | - | 87 483 |
| 3 | Allowance for expected credit loss of debt securities at fair value through other comprehensive income | (2 799) | - | - | (2 799) |
| 4 | Total debt securities at fair value through other comprehensive income | 84 684 | - | - | 84 684 |

At COB December 31, 2023 and December 31, 2022, the Bank does not have collateralized securities in its portfolio.

At COB December 31, 2023 and December 31, 2022, the Bank does not have securities in 'repo' agreements in its portfolio.

8. Investment Property

Table 8.1 Investment property at fair valoue for the reporting period.

| Line | Item | UAH thousand | |
|------|--|--------------|------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Investment property at fair value at the beginning of the period | 124 558 | 188 116 |
| 2 | Aquisitions | - | - |
| 3 | Disposal | (110 370) | (63 488) |
| 4 | Losses from revaluation to fair value | (1 455) | (70) |
| 5 | Investment property at fair value at the end of the period | 12 733 | 124 558 |

Information in note 8, Table 8.1, Line 5 is used for Statement of financial position.

All investment property objects were acquired by the Bank as a result of foreclosure on collateral.

Disposal of investment property was as a result of its sale.

On 30.11.2021 the Bank concluded a sales agreement with fixed payment schedule for investment property with fair value UAH 12,733. As of 01.01.2024, the prepayment of UAH 1,222,8 thousand was received under this agreement. In addition, until the final pay off for this object and its transfer to the buyer, a lease agreement was concluded, which generates income of UAH 2 thousand per month, including VAT.

As at 01.11.2023, In accordance with investment property valuation conducted by the appraiser KANSAS REAL ESTATE LLC (EDRPOU code 37195440), depreciation of the investment property amounted to UAH1,454 UAH thousand.

Table 8.2 Amounts recognized in Statement of profit or loss and other comprehensive income.

| Nº | Profit or loss | UAH thousand | |
|----|---|--------------|---------|
| | | 2023 | 2022 |
| 1 | Lease income from investment property | 540 | 1 430 |
| 2 | Direct operating expenses (including repair and mantainance) form investment property generating lease income | (1 579) | (1 098) |

Table 8.3 Minimum future lease payments for non-cancellable operating leases, if the bank is a lessor

| Line | Operating lease period | UAH thousand | |
|------|------------------------|--------------|------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Up to 1 year | 17 | 1 124 |
| 2 | From 1 to 5 years | - | 569 |
| 3 | Total | 17 | 1693 |

9. Property, plant and equipment

UAH thousand

| Line | Item | Buildings, constructio ns, transmissi on equipment | Machunery, equipment | Vehicle | Tools, devices, furniture | Other | Right-of- use assets | Other non- current assets | Capital investment | Intangibl e assets | Total |
|-----------|---|---|-------------------------|--------------|---------------------------------|-----------|----------------------------|------------------------------|-----------------------|-----------------------|----------------|
| 1 | Carrying amount as at 01.01.2022 | 106 380 | 4 262 | 4 449 | 429 | 25 | 7157 | - | 20 | 13 653 | 136 375 |
| 1.1 | Initial (revalued) cost | 148 363 | 20 642 | 9 376 | 3 979 | 461 | 9 781 | 5 290 | 20 | 20 026 | 217 938 |
| 1.2 | Accumulated depreciation | (41 983) | (16 380) | (4 927) | (3 550) | (436) | (2 624) | (5 290) | - | (6 373) | (81 563) |
| 2 | Additions | 154 | 4 892 | 424 | | | 4 | 458 | 579 | 6 890 | 13 401 |
| 3 | Disposal | | (10) | (597) | | (11) | (4 040) | (21) | | (407) | (5 086) |
| 3.1 | Depreciation retirement | | 10 | 597 | | 11 | 2 188 | 21 | | 407 | 3 234 |
| 4 | Depreciation charges | (2 942) | (1 838) | (1 561) | (134) | (8) | (2 140) | (458) | | (2 155) | (11 236) |
| 5 | Revaluation | | | | | | (577) | | | | (577) |
| 5.1 | Initial cost | | | | | | 5 719 | | | | 5 719 |
| 5.2 | Depreciation | | | | | | (6 296) | | | | (6 296) |
| 6 | Carrying amount as at 31.12.2022 | 103 592 | 7 316 | 3 312 | 295 | 17 | 2 592 | - | 599 | 18 388 | 136 111 |
| 6.1 | Initial (revalued) cost | 148 517 | 25 524 | 9 203 | 3 979 | 450 | 11 464 | 5 727 | 599 | 26 509 | 231 972 |
| 6.2 | Accumulated depreciation | (44 925) | (18 208) | (5 891) | (3 684) | (433) | (8 872) | (5 727) | - | (8 121) | (95 861) |
| 7 | Additions | | 2 094 | | | | 118 | 442 | | 6 058 | 8 712 |
| 8 | Disposal | | (1 324) | (65) | (24) | (11) | (165) | (92) | (579) | (693) | (2 953) |
| 8.1 | Depreciation retirement | | 1 315 | 65 | 22 | 11 | 148 | 92 | | 693 | 2 346 |
| 9 | Depreciation charges | (2 944) | (2 087) | (1 601) | (97) | (6) | (2 048) | (442) | | (2 923) | (12 148) |
| 10 | Revaluation | | | | | | 1 454 | | | | 1 454 |
| 10.1 | Initial cost | | | | | | 1 458 | | | | 1 458 |
| 10.2 | Depreciation | | | | | | (4) | | | | (4) |
| 11 | Carrying amount as at 31.12.2023 | 100 648 | 7 314 | 1 711 | 196 | 11 | 2 099 | - | 20 | 21 523 | 133 522 |
| 11.1 | Initial (revalued) cost | 148 517 | 26 294 | 9 138 | 3 955 | 439 | 12 875 | 6 077 | 20 | 31 874 | 239 189 |
| 11.2 | Accumulated depreciation | (47 869) | (18 980) | (7 427) | (3 759) | (428) | (10 776) | (6 077) | - | (10 351) | (105 667) |

As at December 31, 2023, the initial (revalued) value of fully depreciated property, plan and equipment is UAH 18,678 thousand (as at 31.12. 2022 – UAH 20,210 thousand). The Bank does not have property, plan and equipment with enforced restriction on ownership, use or disposal. During 2023, neither property, plan and equipment nor intangible assets were pledged as collateral.

Buildings are measured at revaluation cost represented by fair value less accumulated depreciation. As at December 31, 2023, management received estimates from independent professional appraisers to determine fair value of buildings. The method used to measure fair value of buildings involves comparing the sales price of similar buildings. The main assumptions relate to the condition, quality and location of the buildings that were compared. As at December 31, 2023, the carrying amount of the buildings that would have been included in the financial statements had the buildings been recorded at cost less accumulated depreciation is UAH 16,528 thousand (in 2022 - 17 324 thousand UAH).

There are no restrictions on the ownership, use or disposal of property, plan and equipment or intangible assets except for two cars.

In accordance with the Decree of the President of Ukraine of No. 69/2022 24.02. 2222 in connection with the military aggression of the Russian Federation against Ukraine and in order to defend the state within the framework of the military-transpotatory duty, in accordance with the orders of the Podilsky district in Kyiv CCC and social support, the Bank handed over two cars to the Armed Forces of Ukraine for temporary use.

Property, plan and equipment and intangible assets were not provided as collateral. There is no property, plan and equipment that is not temporarily in use or were decommissioned to sale during the year.

As at December 31, 2023, the Bank has 7 lease agreements that are accounted for in accordance with IFRS 16 and under which right-of-use assets and lease liabilities are recognized. Of these, there are 5 car lease agreements and 2 premises lease agreements. The purpose of concluding car lease agreements was to use them in the Bank's operation, premises lease agreements were concluded for the purpose of location the Bank's branches and divisions.

As at December 31, 2022, the Bank had 8 lease agreements that were accounted for in accordance with IFRS 16 and under which right-of-use assets and lease liabilities are recognized. Of these, there were 6 car lease agreements and 2 premises lease agreements. The purpose of concluding car lease agreements was to use them in the Bank's operation, premises lease agreements were concluded for the purpose of location the Bank's branches and divisions.

Table 9.2 Right of use assets by underlying asset

| Line | Item | Premesis | Vehicles | тис.грн Total |
|------------|---|----------------|----------|------------------|
| 1 | Carrying amount as at 01.01.2022 | 7104 | 53 | 7157 |
| 1.1 | Initial (revalued) cost | 9 606 | 175 | 9 781 |
| 1.2 | Accumulated depreciation | (2 502) | (122) | (2 624) |
| 2 | Additions | - | 4 | 4 |
| 3 | Disposal | (4 025) | (15) | (4 040) |
| 3.1 | Depreciation retirement | 2 173 | 15 | 2 188 |
| 4 | Depreciation charges | (2 079) | (61) | (2 140) |
| 5 | Revaluation | (620) | 43 | (577) |
| 5.1 | Initial cost | 5 676 | 43 | 5 719 |
| 5.2 | Depreciation | (6 296) | - | (6 296) |
| 6 | Carrying amount as at 31.12.2022 | 2 553 | 39 | 2 592 |
| 6.1 | Initial (revalued) cost | 11 257 | 207 | 11 464 |
| 6.2 | Accumulated depreciation | (8 704) | (168) | (8 872) |
| 7 | Additions | - | 118 | 118 |

| Line | Item | Premesis | Vehicles | Total |
|-----------|---|--------------|-----------|--------------|
| 8 | Disposal | - | (165) | (165) |
| 8.1 | Depreciation retirement | - | 148 | 148 |
| 9 | Depreciation charges | (1 981) | (67) | (2 048) |
| 10 | Revaluation | 1 456 | (2) | 1 454 |
| 10.1 | Initial cost | 1 456 | 2 | 1 458 |
| 10.2 | Depreciation | - | (4) | (4) |
| 11 | Carrying amount as at 31.12.2023 | 2 028 | 71 | 2 099 |
| 11.1 | Initial (revalued) cost | 12 713 | 162 | 12 875 |
| 11.2 | Accumulated depreciation | (10 685) | (91) | (10 776) |

10. Other assets

Table 10.1 Other assets.

| | | UAH thousand | |
|----------|--|----------------|----------------|
| Line | Item | 31.12.2023 | 31.12.2022 |
| 1 | Other financial assets: | 190 710 | 117 519 |
| 1.1 | Receivables from transactions with payment card | 75 316 | 29 262 |
| 1.2 | Cash and cash equivalents restricted in use | 351 721 | 305 066 |
| 1.3 | Other financial assets | 25 717 | 24 447 |
| 1.4 | Allowance for impairment of other financial assets | (262 044) | (241 256) |
| 2 | Other assets: | 5 562 | 7 237 |
| 2.1 | Receivable from acquisition of assets | 749 | 1 700 |
| 2.2 | Prepayment for services | 5 095 | 7 130 |
| 2.3 | Other assets | 383 | 699 |
| 2.4 | Provisions for other assets | (665) | (2 292) |
| 3 | Total other assets | 196 272 | 124 756 |

Information in note 10, Table 10.1, Line 3 is used for Statement of financial position.

Other assets of the bank do not contain a significant component of financing and therefore the expected credit losses are recognized during the entire life of the asset regardless of the quality of the asset, that is, without the need to analyze changes in credit risk and determine the stage of impairment.

Table 10.2 Analysis of changes in allowance for expected credit losses of other financial assets.

| | | UAH thousand | | |
|----------|---|---|------------------------|------------------|
| Line | Change in allowance | Cash and cash equivalents restricted in use | Other financial assets | Total |
| 1 | Balance as at 01.01.2022 | (221 285) | (4 762) | (226 047) |
| 2 | (Increase)/decrease in allowance for ECL of other financial assets for 2022 | (299) | (14 582) | (299) |
| 3 | Currency translation differences | (328) | - | (328) |
| 4 | Balance as at 31.12.2022 | (221 912) | (19 344) | (241 256) |
| 5 | (Increase)/decrease in allowance for ECL of other financial assets for 2023 | (20 744) | 135 | (20 609) |
| 6 | Bad debt write off | - | 1 198 | 1 198 |
| 7 | Currency translation differences | (179) | - | (179) |
| 8 | Balance as at 31.12.2023 | (242 835) | (19 209) | (262 044) |

Table 10.3 Analysis of credit quality of other assets as at 31.12.2023.

| | | | | | UAH thousand |
|------|--|---|---|------------------------|--------------|
| Line | Item | Receivables from transactions with payment card | Cash and cash equivalents restricted in use | Other financial assets | Total |
| 1 | Debt receivables neither past due nor impaired | 75 316 | - | - | 75 316 |
| 2 | Debt receivables individually impaired and past due for: | - | 255 465 | 12 368 | 267 833 |
| 2.1 | Up to 31 days | - | - | 39 | 39 |
| 2.2 | From 32 to 92 days | - | - | 30 | 30 |
| 2.3 | From 93 to 183 days | - | - | 189 | 189 |
| 2.4 | From 184 to 365 (366) days | - | - | 91 | 91 |
| 2.5 | More than 366 (367) days | - | 255 465 | 12 019 | 267 484 |
| 3 | Debt receivables individually impaired and not past due | - | 96 256 | 13 349 | 108 208 |
| 4 | Total other financial assets | 75 316 | 351 721 | 25 717 | 452 754 |
| 5 | Allowance for impairment of other financial assets | - | (242 835) | (19 209) | (262 044) |
| 6 | Total other financial assets less allowance | 75 316 | 108 886 | 6 508 | 190 710 |

Table 10.4 Analysis of credit quality of other assets as at 31.12.2022.

| | | | | | UAH thousand |
|------|--|---|---|------------------------|--------------|
| Line | Item | Receivables from transactions with payment card | Cash and cash equivalents restricted in use | Other financial assets | Total |
| 1 | Debt receivables neither past due nor impaired | 29 262 | - | - | 29 262 |
| 2 | Debt receivables individually impaired and past due for: | - | 219 003 | 14 351 | 233 354 |
| 2.1 | Up to 31 days | - | - | 32 | 32 |
| 2.2 | From 32 to 92 days | - | - | 55 | 55 |
| 2.3 | From 93 to 183 days | - | - | 88 | 88 |
| 2.4 | From 184 to 365 (366) days | - | - | 6 804 | 6 804 |
| 2.5 | More than 366 (367) days | - | 219 003 | 7 372 | 226 375 |
| 3 | Debt receivables individually impaired and not past due | - | 86 063 | 10 096 | 96 159 |
| 4 | Total other financial assets | 29 262 | 305 066 | 24 447 | 358 775 |
| 5 | Allowance for impairment of other financial assets | - | (221 912) | (19 344) | (241 256) |
| 6 | Total other financial assets less allowance | 29 262 | 83 154 | 5 103 | 117 519 |

Table 10.5 Analysis of changes in allowance for expected credit losses of other assets.

| | | | | UAH thousand |
|------|---------------------|--|-------------------------|--------------|
| Line | Change in allowance | Debt receivables for acquisition of assets | Prepayment for services | Total |

| | | | | |
|---|--|----------------|--------------|----------------|
| 1 | Balance as at 01.01.2022 | (445) | (448) | 893 |
| 2 | Increase)/decrease in allowance for the period | (881) | (518) | (1 399) |
| 3 | Balance as at 31.12.2022 | (1 326) | (966) | (2 292) |
| 4 | Increase)/decrease in allowance for the period | 955 | 618 | 1 573 |
| 5 | Bad debt write off | - | 54 | 54 |
| 6 | Balance as at 31.12.2023 | (371) | (294) | (665) |

11. Customer accounts

Table 11.1 Customer accounts.

| Line | Item | UAH thousand | |
|------|--------------------------------|------------------|------------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Other legal entities | 2 627 873 | 2 924 154 |
| 1.1 | Current accounts | 2 285 136 | 1 639 933 |
| 1.2 | Term deposits | 342 737 | 1 284 221 |
| 2 | Individuals | 1 764 241 | 1 390 998 |
| 2.1 | Current accounts | 1 086 205 | 1 021 851 |
| 2.2 | Term deposits | 678 036 | 369 147 |
| 3 | Total customer accounts | 4 392 114 | 4 315 152 |

Information in note 11, Table 11.1, Line 3 is used for Statement of financial position.

Table 11.2 An economic sector concentration of customer accounts.

| Line | Economic sector | UAH thousand | | | |
|------|--|------------------|-------------|------------------|-------------|
| | | 31.12.2023 | | 31.12.2022 | |
| 1 | Real estate, lease, engineering and services | 701 409 | 15,97% | 634 545 | 14,70% |
| 2 | Trade, repair of cars, household appliances | 461 753 | 10,51% | 466 415 | 10,81% |
| 3 | Agriculture, hunting, forestry | 84 329 | 1,92% | 23 639 | 0,55% |
| 4 | Individuals | 1 779 615 | 40,52% | 1 359 301 | 31,50% |
| 5 | Other, including: | 1 365 008 | 31,08% | 1 831 252 | 42,44% |
| | Production of chemicals and chemical products | 4 914 | 0,11% | 15 475 | 0,36% |
| | Manufacture of other vehicles | 88 328 | 2,01% | - | - |
| | Construction of buildings, structures, specialized construction works | 162 598 | 3,70% | 50 334 | 1,17% |
| | Insurance, reinsurance and non-state pension, except for compulsory social insurance | 25 241 | 0,57% | - | - |
| | Production of machinery and equipment | 41 169 | 0,94% | 38 027 | 0,88% |
| | Electricity, gas, steam and air-conditioned air supply | 732 924 | 16,69% | 1 103 312 | 25,57% |
| | Legal and accounting | 5 349 | 0,12% | 31 718 | 0,74% |
| | Beverages | 43 048 | 0,98% | 52 142 | 1,21% |
| | Computer programming, consulting and related activities | 6 014 | 0,14% | 325 092 | 7,53% |
| | Manufacture of computers, electronic and optical products | 50 584 | 1,15% | - | - |
| 6 | Total customer accounts | 4 392 114 | 100% | 4 315 152 | 100% |

12 Provisions for Liabilities

Table 12.1 Changes in provisions for liabilities for 2023.

| Line | Changes in provisions | Credit related commitments | UAH thousand |
|----------|--|----------------------------|--------------|
| | | | Total |
| 1 | Balance as at January 1, 2023 | 489 | 489 |
| 2 | Provisions | 2 469 | 2 469 |
| 3 | Commissions under guarantees issued | (214) | (214) |
| 4 | Amortization of commissions under guarantees issued presented in Statement of profit and loss and other comprehensive income | 214 | 214 |
| 5 | Balance as at December 31, 2023 | 2 958 | 2 958 |

Information in note 12, Table 12.1, Line 5 is used for Statement of financial position.

Table 12.2 Changes in provisions for liabilities for 2022.

| Line | Changes in provisions | Credit related commitments | UAH thousand |
|----------|--|----------------------------|--------------|
| | | | Total |
| 1 | Balance as at January 1, 2022 | 6 298 | 6 298 |
| 2 | Provisions | (5 809) | (5 809) |
| 3 | Commissions under guarantees issued | (1 913) | (1 913) |
| 4 | Amortization of commissions under guarantees issued presented in Statement of profit and loss and other comprehensive income | 1 913 | 1 913 |
| 5 | Balance as at December 31, 2022 | 489 | 489 |

13. Other Liabilities

| Line | Item | UAH thousand | |
|----------|--|---------------|---------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Other financial liabilities | 5 657 | 4 416 |
| 1.1 | Lease liabilities of a lessor* | 1 903 | 2 947 |
| 1.2 | Other financial liabilities | 3 754 | 1 469 |
| 2 | Other liabilities | 23 677 | 21 720 |
| 2.1 | Payables on taxes and mandatory payments other than income tax | 1 221 | 742 |
| 2.2 | Payables on charges to the Deposit Guarantee Fund of Individuals | 2 969 | 2 538 |
| 2.3 | Payables on settlements with the Bank's employees | 12 567 | 11 832 |
| 2.4 | Payables on sale/acquisition of assets | 1 223 | 1 448 |
| 2.5 | Deferred income | 5 195 | 4 700 |
| 2.6 | Other liabilities | 502 | 460 |
| 3 | Total other liabilities | 29 334 | 26 136 |

Information in note 13, Line 3 is used for Statement of financial position.

*Details of lease liabilities of a lessor by maturity are as follows:

| Line | Item | UAH thousand | |
|------|-------------------|--------------|------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Up to 1 year | 1 898 | 2 111 |
| 2 | From 1 to 5 years | 5 | 836 |

| Line | Item | 31.12.2023 | 31.12.2022 |
|------|-------------------------------------|------------|------------|
| 3 | More than 5 years | - | - |
| 4 | Total Lease liabilities of a lessor | 1903 | 2 947 |

Interest expenses on lease liabilities are provided in note 17 of the Report and amount to UAH 220 thousand.

The costs associated with the lease of low-value assets are detailed in Table 20.3 of notes 20 and amount to UAH 167 thousand.

There was no income from the lease modification.

Lease modification costs in the amount of UAH 2 thousand are provided in Table 20.3 of note 20.

The Bank does not have any short-term lease agreements.

There were no concessions to lease payments due to the "covid-19 pandemic" in 2022 and 2023.

14. Equity and Share Premium

UAH thousand

| Line | Item | Number of shares in issue (in thousands) | Ordinary shares | Total |
|----------|---------------------------------|--|-----------------|----------------|
| 1 | Balance as at 01.01.2022 | 48,173 | 510 393 | 510 393 |
| 2 | Balance as at 31.12.2022 | 48,173 | 510 393 | 510 393 |
| 3 | Balance as at 31.12.2023 | 48,173 | 510 393 | 510 393 |

Information in note 14, Line 3 is used for Statement of financial position and for Statement of changes in equity.

- there are no shares announced for issue;
- there are no shares issued and paid or shares issued but not fully paid;
- nominal value of one share as at 01.01.2022 is UAH 10,595.00 (ten thousand five hundred ninety-five hryvnias 00 kopecks);
- nominal value of one share as at 31.12.2022 is UAH 10,595.00 (Ten thousand five hundred ninety-five hryvnias 00 kopecks);
- nominal value of one share as at 31.12.2023 is UAH 10,595.00 UAH (Ten thousand five hundred ninety-five hryvnias 00 kopecks);
- all shareholders of the Bank have the same rights and privileges, there are no restrictions;
- there are no shares intended for issue under the terms of options and sales contracts.

15. Revaluation Reserve (Component of Other Comprehensive Income)

UAH thousand

| Line | Item | 2023 | 2022 |
|----------|--|---------------|---------------|
| 1 | Balance at the beginning of the period | 69 828 | 83 253 |
| 2 | Revaluation reserve of debt investment securities at fair value through other comprehensive income: | 816 | (16 372) |
| 2.1 | Revaluation to fair value | 816 | (16 372) |
| 3. | Income tax related to: | 928 | 2 947 |
| 3.1 | Revaluation reserve of debt investment securities at fair value through other comprehensive income | 928 | 2 947 |
| 3.2 | Revaluation reserve of property, plant and equipment and intangible assets related to changes in income tax rate | (2 959) | - |
| 4 | Total changes in revaluation reserve (other comprehensive income) less income tax | (1 215) | (13 425) |
| 5 | Total revaluation reserve (other comprehensive income) less income tax | 68 613 | 69 828 |



Information in note 15, Line 6 is used for Statement of financial position.

16. Analysis of Assets and Liabilities by Maturity

| Line | Item | Note | UAH thousand | | | | | |
|--------------------|---|------|---------------------|-----------------------------------|------------------|---------------------|-----------------------------------|------------------|
| | | | Less than 12 months | 31.12.2023 More than 12 months | Total | Less than 12 months | 31.12.2022 More than 12 months | Total |
| ASSETS | | | | | | | | |
| 1 | Cash and cash equivalents | 5 | 3 053 152 | - | 3 053 152 | 3 384 849 | - | 3 384 849 |
| 2 | Loans and advances to customers | 6 | 1 419 860 | 19 810 | 1 439 670 | 1 249 554 | 28 398 | 1 277 952 |
| 3 | Debt investment securities at fair value through other comprehensive income | 7 | 279 793 | 200 151 | 479 944 | 53 587 | 31 097 | 84 684 |
| 4 | Investment securities at fair value through profit/loss | 7 | - | - | - | 13 093 | - | 13 093 |
| 5 | Debt investment securities at amortised cost | 7 | 155 067 | - | 155 067 | - | - | - |
| 6 | Investment property | 8 | - | 12 733 | 12 733 | - | 124 558 | 124 558 |
| 7 | Receivables on current income tax | | - | - | - | 10 323 | - | 10 323 |
| 8 | Property, plant, equipment and intangible assets | 9 | - | 131 423 | 131 423 | - | 133 519 | 133 519 |
| 9 | Right-of-use assets | 9 | - | 2 099 | 2 099 | - | 2 592 | 2 592 |
| 10 | Other financial assets | 10 | 98 188 | 92 522 | 190 710 | 28 917 | 88 602 | 117 519 |
| 11 | Other assets | 10 | 5 548 | 14 | 5 562 | 7 227 | 10 | 7 237 |
| 12 | Total assets | | 5 011 608 | 458 752 | 5 470 360 | 4 747 550 | 408 776 | 5 156 326 |
| LIABILITIES | | | | | | | | |
| 13 | Customer accounts | 11 | 4 376 297 | 15 817 | 4 392 114 | 4 301 664 | 13 488 | 4 315 152 |
| 14 | Deferred tax liability | 21 | 0 | 5 355 | 5 355 | - | 3 880 | 3 880 |
| 15 | Payables on income tax | | 87 582 | - | 87 582 | - | - | - |
| 16 | Provisions for liabilities | 12 | 2 946 | 12 | 2 958 | 464 | 25 | 489 |
| 17 | Other financial liabilities | 13 | 5 493 | 164 | 5 657 | 1 590 | 2 826 | 4 416 |
| 18 | Other liabilities | 13 | 23 677 | - | 23 677 | 20 272 | 1 448 | 21 720 |
| 19 | Total liabilities | | 4 495 995 | 21 348 | 4 517 343 | 4 323 990 | 21 667 | 4 345 657 |

17. Interest Income and Expense

| Line | Item | 2023 | 2022 |
|---|--|------------------|------------------|
| UAH thousand | | | |
| Interest income on financial assets at amortised cost | | | |
| 1 | Loans and advance to customers | 190 543 | 247 281 |
| 2 | Debt investment securities at amortised cost | 124 165 | 52 490 |
| 3 | Due to Banks | - | 224 |
| 4 | Correspondent accounts with other banks | 8 245 | 2 415 |
| 5 | Interest income on credit-impaired financial assets | 6 520 | 19 678 |
| 6 | Total interest income on financial assets at amortised cost | 329 473 | 322 088 |
| Interest income on financial assets at fair value through other comprehensive income | | | |
| 7 | Debt securities at fair value through other comprehensive income | 375 036 | 171 832 |
| 8 | Total interest income on financial assets at fair value through other comprehensive income | 375 036 | 171 832 |
| 9 | Total interest income | 704 509 | 493 920 |
| Interest income on financial assets at amortised cost | | | |
| 10 | Terms deposits of legal entities | (99 076) | (31 735) |
| 11 | Lease liabilities | (220) | (380) |
| 12 | Term deposits of individuals | (37 941) | (22 085) |
| 13 | Current accounts | (130 920) | (114 890) |
| 14 | Total interest income | (268 157) | (169 090) |
| 15 | Net interest income | 436 352 | 324 830 |

Information in note 17, Line 9 та Line 14 is used for compiling Statement of profit or loss and other comprehensive income.

18. Fee and Commission Income and Expense

| Line | Item | 2023 | 2022 |
|----------------------------------|---|-----------------|-----------------|
| UAH thousand | | | |
| Fee and commission income | | | |
| 1 | Settlement and cash transactions | 101 465 | 86 217 |
| 2 | Collection | 13 | 53 |
| 3 | Transaktions with securities | 2 413 | 1 942 |
| 4 | Transactions in foreign exchange and precious metals market | 22 001 | 13 987 |
| 5 | Trust management | 15 | 18 |
| 6 | Guarantees issued | 8 672 | 13 803 |
| 7 | Other | 7 421 | 11 401 |
| 8 | Total fee and commission income | 142 000 | 127 421 |
| Commission expense | | | |
| 9 | Settlement and cash transactions | (36 969) | (24 746) |
| 10 | Other | (1 797) | (7 912) |
| 11 | Total fee and commission expense | (38 766) | (32 658) |
| 12 | Net fee and commission income | 103 234 | 94 763 |

Information in note 18, Line 8 та Line 11 is used for compiling Statement of profit or loss and other comprehensive income

19. Other Operating Income

| Line | Item | UAH thousand | |
|----------|---|--------------|--------------|
| | | 2023 | 2022 |
| 1 | Income from operating lease | 2 495 | 3 568 |
| 2 | Income from disposal of property, plant and equipment and intangible assets | 58 | 358 |
| 3 | Other* | 687 | 1 476 |
| 4 | Total operating income | 3 240 | 5 402 |

Information in note 19, Line 4 is used for compiling Statement of profit or loss and other comprehensive income

*Details for line 4 for the reporting period:

| Nº | Account | 2023 |
|----|--|------|
| 1 | Income from compensation of key collateral value | 24 |
| 2 | Income from making entries and receiving extracts fro the Register of Foreclosed Movable Property (RFMP) | 34 |
| 3 | Reward for attracting users and customers | 81 |
| 4 | Overpaid loans | 84 |
| 5 | Reimbursement of legal costs | 19 |
| 6 | Income from transactions with payment cards with expired protesting term | 16 |
| 7 | Income from derecognition of financial liabilities | 137 |
| 8 | Income from confirming identity | 8 |
| 9 | Income from selling land plots | 201 |
| 10 | Inactive account service charge | 70 |
| 11 | Other income | 13 |
| 12 | Total: | 687 |

*Details for line 4 for the prior period:

| Nº | Account | 2022 |
|----|--|-------|
| 1 | Fees and penalties received | 27 |
| 2 | Income from compensation of key collateral value | 36 |
| 3 | Income from making entries and receiving extracts fro the Register of Foreclosed Movable Property (RFMP) | 24 |
| 4 | Reward for attracting users and customers | 25 |
| 5 | Overpaid loans | 329 |
| 6 | Reimbursement of legal costs | 7 |
| 7 | Income from transactions with payment cards with expired protesting term | 206 |
| 8 | Income from derecognition of financial liabilities | 703 |
| 9 | Income from lease modification | 58 |
| 10 | Income from selling land plots | 43 |
| 11 | Other income | 18 |
| 12 | Total: | 1 476 |

20. Administrative and Other Operating Expense

Table 20.1 Employee benefits

| Line | Item | UAH thousand | |
|------|--------------------|--------------|-----------|
| | | 2023 | 2022 pik |
| 1 | Salary and bonuses | (115 063) | (115 224) |

| | | | |
|---|-------------------------|-----------|-----------|
| 2 | Payroll accruals | (21 279) | (21 075) |
| 3 | Other employee benefits | (841) | (1 223) |
| 4 | Total staff costs | (137 183) | (137 522) |

Information from Table 20.1, line 4 is used for compiling Statement of profit or loss and other comprehensive income

Table 20.2 Amortisation expenses

| Line | Item | UAH thousand | |
|------|--------------------------------|--------------|----------|
| | | 2023 pik | 2022 pik |
| 1 | Property, plant and equipment | (7 178) | (6 941) |
| 2 | Software and intangible assets | (2 922) | (2 155) |
| 3 | Righ-of-use assets | (2 048) | (2 140) |
| 4 | Total amortisation expenses | (12 148) | (11 236) |

Information from 20.2, line 3 is used for compiling Statement of profit or loss and other comprehensive income

Table 20.3 Other administrative and operating expenses

| Line | Item | UAH thousand | |
|-----------|--|-----------------|-----------------|
| | | 2023 | 2022 |
| 1 | Maintenance of property, plant , equipment and intangible assets, telecommunication and other maintenance services | (49 731) | (35 801) |
| 2 | Operating lease | (167) | (174) |
| 3 | Lease modification | (2) | (23) |
| 4 | Professional services | (726) | (705) |
| 5 | Marketing and advertising | (7 424) | (1 710) |
| 6 | Insurance | (10 184) | (6 471) |
| 7 | Taxes and charges, other than income tax | (11 588) | (11 124) |
| 8 | Charity | (14 991) | (22 430) |
| 9 | Other | (4 436) | (4 642) |
| 10 | Total administrative and operating expenses | (99 249) | (83 080) |

Information from 20.3, line 10 is used for compiling Statement of profit or loss and other comprehensive income

21. Income Tax Expense.

Table 21.1. Income tax expense

According to the tax legislation of Ukraine, the income tax rate in 2022 was 18%, in 2023, income tax rate for banks was increased to 50%. For 2024, the income tax rate is set at 25%. The current income tax for 2023 is calculated at a rate of 50%, deferred income tax at a rate of 25%.

| Line | Item | UAH thousand | |
|----------|---------------------------------|------------------|-----------------|
| | | 2023 | 2022 |
| 1 | Current income tax | (162 331) | (750) |
| 2 | Change in deferred income tax | 556 | (19 787) |
| 3 | Total income tax expense | (161 775) | (20 537) |

Information in note 21, Line 3 is used for compiling Statement of profit or loss and other comprehensive income.

Table 21.2. Reconciliation between accounting (profit/loss) and taxable profit (loss).

| | | UAH thousand | |
|----------|---|------------------|-----------------|
| Line | Item | 2023 | 2022 |
| 1 | Income before tax | 305 338 | 104 112 |
| 2 | Theoretical tax charge at statutory rate | (152 669) | (18 740) |
| | Adjustment to accounting income (loss) | | |
| 3 | Tax deductible expenses recognized in accounting, including: | (9 106) | (1 955) |
| 3.1 | Adjustments to accumulated reserve | (1 292) | 1 028 |
| 3.2 | Tax-deductible depreciation | (488) | (198) |
| 3.3 | Penalties | (113) | (257) |
| 3.4 | Charity expenses | (7 449) | (1 822) |
| 3.5 | Securities impairment | (829) | (706) |
| 3.6 | Gain from trading securities | 970 | - |
| 3.7 | Effect of differences in residual value of fixed assets for tax and accounting purposes | 95 | - |
| 4 | Non-deductible expenses not recognized in accounting, including: | - | 158 |
| 4.1 | Part of loss for 2021 carried forward to 2022 taxable income | - | 158 |
| 5 | Other adjustments | - | - |
| 6 | Income tax expenses | (161 775) | (20 537) |

Table 21.3 Tax effect of recognized deferred tax assets and deferred tax liabilities for 2023

| | | UAH thousand | | | |
|-----------|--|--------------------------|---------------------|------------------------------------|------------------------------|
| Line | Item | Balance as at 01.01.2023 | Through profit/loss | Through other comprehensive income | Balance as at COB 31.12.2023 |
| 1 | Tax effect of negative (positive) temporary differences and tax losses carried forward | (3 880) | 556 | (2 031) | (5 355) |
| 1.1 | Property, plant, equipment | (6 791) | 556 | (2 959) | (9 194) |
| 1.2 | Tax losses carried forward | - | - | - | - |
| 1.3 | Revaluation of securities | 2 911 | - | 928 | 3 839 |
| 2. | Net deferred tax asset (liability) | (3 880) | 556 | 2 031 | (5 355) |
| 3. | Recognized deferred tax asset | 2 911 | - | 928 | 3 839 |
| 4. | Recognized deferred tax liability | (6 791) | 556 | (2 959) | (9 194) |

Table 21.4 Tax effect of recognized deferred tax assets and deferred tax liabilities for 2022

| | | UAH thousand | | | |
|-----------|--|--------------------------|---------------------|------------------------------------|----------------------------------|
| Line | Item | Balance as at 01.01.2022 | Through profit/loss | Through other comprehensive income | Залишок на кінець дня 31.12.2022 |
| 1 | Tax effect of negative (positive) temporary differences and tax losses carried forward | 12 960 | (19 787) | 2 947 | (3 880) |
| 1.1 | Property, plant, equipment | (6 989) | 198 | - | (6 791) |
| 1.2 | Tax losses carried forward | 19 985 | (19 985) | - | - |
| 1.3 | Revaluation of securities | (36) | - | 2 947 | 2 911 |
| 2. | Net deferred tax asset (liability) | 12 960 | (19 787) | 2 947 | (3 880) |

| | | | | | |
|----|-----------------------------------|---------|----------|-------|---------|
| 3. | Recognized deferred tax asset | 19 985 | (19 985) | 2 911 | 2 911 |
| 4. | Recognized deferred tax liability | (7 025) | 198 | 36 | (6 791) |

22. Earnings per Ordinary and Preferred Share

| Line | Item | 2023 | 2022 | UAH thousand |
|----------|--|-----------------|-----------------|--------------|
| 1 | Profit (loss) attributed to owners of ordinary shares | 143 563 | 83 575 | |
| 2 | Profit (loss) for the year | 143 563 | 83 575 | |
| 3 | Weighted average number of ordinary shares in issue (thousands) | 48,173 | 48,173 | |
| 4 | Net and adjusted profit (loss) per ordinary share (hryvnia) | 2 980,15 | 1 734,89 | |

Information in note 22, line 4 is used for compiling Statement of profit or loss and other comprehensive income

23. Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and its operating results are regularly reviewed by the body responsible for making operating decisions (the Management Board of the Bank) based on the separately available financial information.

For management purposes, the Bank allocates five operating segments:

- **Corporate business** - providing loans, servicing deposits and current accounts of corporate clients;
- **Services to Bank at work customers**- servicing deposits, providing loans, servicing payment cards, money transfers and cash management services for individuals and small and medium-size businesses;
- **Services to Private Banking customers**- providing loans, servicing deposits and current accounts of wealthy clients;
- **Treasury** - trading operations with financial instruments, capital markets operations, operations with foreign currency and banknotes, correspondent relations with the NBU and other Banks;
- **Headquarters and unallocated items** – property, plant, equipment, deferred tax assets, prepayments, receivables and payables related to administrative and business activities.

Transactions between segments are carried out on commercial terms. The funds are allocated between segments, which generates transfer income and expenses recorded in operating income (see lines "Transfer income" and "Transfer expenses" of items "Interest income" and "Interest expenses"). The interest charged for these funds is determined in accordance with the calculations of costs of financing the Bank. Adjustments for internal settlements and transfer pricing were rerecorded in each segment results; there are no other significant items of income and expenses on transactions between segments.

The item "Administrative and other operating expenses" for each individual segment consists of direct costs for this segment and allocated indirect costs. Segment performance is assessed to make management decisions on the basis of various indicators, including the amount of profit before tax.

Management monitors each segment performance to make management decisions on allocation of resources and assess its performance results. Management reviews individual financial information for each segment, including estimates of operating results, assets and liabilities.

Income and expenses are allocated between operating segments based on management accounting data. Management reporting is intended for internal use and created for the purpose of planning, monitoring, solving internal problems, improving the efficiency of the Bank's activities and making appropriate management decisions. In view of the above, some items of income and expenses in this note may differ slightly from the financial accounting data. In particular, part of the fee and commission costs is presented in other operating and administrative expenses. Impaired interest income is recognised separately from interest income. The result for the year in the management reporting corresponds to the financial statements.

The Bank's revenue from transactions with one client accounted for more than 10% of its total revenue: that is income from NBU amounted to 41.3% of its total income for 2023.

Table 23.1 Income, expense and reportable segment results for 2023.

| | | Reportable segment | | | | | UAH thousand | |
|-----------|--|--------------------|---------------------------------------|------------------------------------|---------------|--------------------------|----------------|--|
| Line | Item | Corporate business | Services to Private Banking customers | Services to Bank at work customers | Tresury | HQ and unallocated items | Total | |
| 1 | Net interest income | 172 192 | 61 434 | 79 027 | 85 728 | 41 283 | 439 664 | |
| 2 | Interest income | 177 490 | 6 368 | 16 296 | 507 447 | - | 707 601 | |
| | Transfer income | 326 381 | 90 535 | 96 318 | - | 554 516 | 1 067 750 | |
| 3 | Interest expense | (215 168) | (30 084) | (22 685) | - | - | (267 937) | |
| | Transfer expense | (116 511) | (5 385) | (10 902) | (421 719) | (513 233) | (1 067 750) | |
| 4 | Net fee and commission income | 59 588 | 31 541 | 35 905 | (163) | (1) | 126 870 | |
| 5 | Fee and commission income | 59 588 | 39 404 | 41 289 | 1 648 | - | 141 929 | |
| 6 | Fee and commission expense | - | (7 863) | (5 384) | (1 811) | (1) | (15 059) | |
| 7 | Trading result | (94) | 11 719 | 3 199 | 13 330 | - | 28 154 | |
| 8 | Other operating income | 131 | 1 423 | 740 | 376 | 628 | 3 298 | |
| 9 | Other income | 29 | - | 114 | - | 267 | 410 | |
| 10 | OPERATING INCOME | 231 846 | 106 117 | 118 985 | 99 271 | 42 177 | 598 396 | |
| 11 | Deductions to reserves | (224 153) | 4 762 | (2 140) | (13 571) | 2 781 | (232 321) | |
| 12 | Other operating expense and general administrative expense | (53 340) | (68 734) | (75 530) | (13 057) | (63 232) | (273 893) | |
| 13 | Profit before tax | 168 174 | 41 726 | 41 069 | 72 643 | (18 274) | 305 338 | |
| 14 | Income tax | - | - | - | - | (161 775) | (161 775) | |
| 15 | Profit after tax | 168 174 | 41 726 | 41 069 | 72 643 | (180 049) | 143 563 | |
| 16 | OPERATING INCOME | 178 506 | 37 383 | 43 455 | 86 214 | (21 055) | 324 503 | |
| 17 | Adjustment to loan impairment | (2 427) | (419) | (246) | - | - | (3 092) | |
| 18 | Income from derecognition of financial assets (not included in operating income or operating profit) | 216 248 | | | | | 216 248 | |

Table 23.2 Assets and liabilities of reportable segments as at 31.12.2023.

| | | Reportable segment | | | | | UAH thousand | |
|------|------|--------------------|---------------------|---------------------|---------|--------------------------|--------------|--|
| Line | Item | Corporate business | Services to Private | Services to Bank at | Tresury | HQ and unallocated items | Total | |

| | | | Banking customers | work customers | | | |
|---|---------------------|-----------|----------------------|-------------------|-----------|---------|-----------|
| 1 | Segment assets | 1 380 748 | 22 058 | 43 584 | 3 702 815 | 321 154 | 5 470 360 |
| 2 | Total assets | 1 380 748 | 22 058 | 43 584 | 3 702 815 | 321 154 | 5 470 360 |
| 3 | Segment liabilities | 2 164 304 | 1 366 459 | 860 380 | | 126 199 | 4 517 343 |
| 4 | Total liabilities | 2 164 304 | 1 366 459 | 860 380 | | 126 199 | 4 517 343 |
| | Capital investments | | | | | | 8 712 |
| | Amortisation | | | | | | (12 148) |

Table 23.3 Income, expense and reportable segment results for 2022.

UAH thousand

| Line | Item | Corporate business | Reportable segment | | | | Total |
|-----------|--|--------------------|---------------------------------------|------------------------------------|---------------|--------------------------|----------------|
| | | | Services to Private Banking customers | Services to Bank at work customers | Tresury | HQ and unallocated items | |
| 1 | Net interest income | 183 472 | 49 407 | 83 695 | 14 764 | (6 153) | 325 185 |
| 2 | Interest income | 208 732 | 10 120 | 48 082 | 226 961 | - | 493 895 |
| | Transfer income | 243 242 | 68 960 | 63 746 | - | 369 795 | 745 743 |
| 3 | Interest expense | (134 331) | (22 091) | (12 288) | - | - | (168 710) |
| | Transfer expense | (134 171) | (7 582) | (15 845) | (212 197) | (375 948) | (745 743) |
| 4 | Net fee and commission income | 49 710 | 32 318 | 34 713 | (7 495) | - | 109 246 |
| 5 | Fee and commission income | 49 710 | 38 510 | 38 098 | 1 017 | - | 127 335 |
| 6 | Fee and commission expense | - | (6 192) | (3 385) | (8 512) | - | (18 089) |
| 7 | Trading result | (3 944) | 18 182 | 2 791 | 34 204 | - | 51 233 |
| 8 | Other operating income | 869 | 1 597 | 1 016 | 21 | 1 660 | 5 163 |
| 9 | Other income | 12 | 1 | 100 | - | 422 | 535 |
| 10 | OPERATING INCOME | 230 119 | 101 505 | 122 315 | 41 494 | (4 071) | 491 362 |
| 11 | Deductions to reserves | (93 517) | (7 569) | (23 786) | (11 555) | (3 900) | (140 327) |
| 12 | Other operating expense and general administrative expense | (55 289) | (53 868) | (50 655) | (10 817) | (76 395) | (247 024) |
| 13 | Profit before tax | 82 435 | 40 029 | 46 892 | 19 122 | (84 366) | 104 112 |
| 14 | Income tax | - | - | - | - | (20 537) | (20 537) |
| 15 | Profit after tax | 82 435 | 40 029 | 46 892 | 19 122 | (104 903) | 83 575 |
| 16 | OPERATING INCOME | 174 830 | 47 637 | 71 660 | 30 677 | (80 466) | 244 338 |
| 117 | Adjustment to loan impairment | 1 046 | (39) | (982) | - | - | 25 |
| 18 | Income from derecognition of financial assets (not included in operating income or operating profit) | 76 | | | | | 76 |

Table 23.4 Assets and liabilities of reportable segments as at 31.12.2022.

| Line | Item | Reportable segment | | | | | UAH thousand | |
|------|---------------------|--------------------|---------------------------------------|------------------------------------|-----------|--------------------------|--------------|--|
| | | Corporate business | Services to Private Banking customers | Services to Bank at work customers | Tresury | HQ and unallocated items | Total | |
| 1 | Segment assets | 1 192 678 | 34 712 | 68 833 | 3 328 937 | 531 166 | 5 156 326 | |
| 2 | Total assets | 1 192 678 | 34 712 | 68 833 | 3 328 937 | 531 166 | 5 156 326 | |
| 3 | Segment liabilities | 2 630 180 | 1 052 114 | 613 903 | 0 | 49 460 | 4 345 657 | |
| 4 | Total liabilities | 2 630 180 | 1 052 114 | 613 903 | 0 | 49 460 | 4 345 657 | |
| 5 | Capital investments | | | | | | 13 401 | |
| 6 | Amortisation | | | | | | (11 236) | |

24. Risk Management

Credit risk

Credit risk is assessed on two levels: on an individual basis (at the level of a particular borrower) and on a portfolio basis, the basis of which is the Bank's total debt on transactions that have credit risk. The main methods of counterparty risk management are: detection, measurement, monitoring, control, reporting and mitigation of credit risk, including instruments/indicators used; reservation, setting limits, diversification, development of preventive measures. The Bank manages the counterparty risk by:

- pre-settlement risk, since its value varies depending on change in the instrument fair value inheriting the risk the Bank is exposed to;
- settlement risk.

The Bank manages the pre-settlement risk by setting limits on the counterparty and controlling them, as well as developing an action plan in case of counterparty's default. The Bank mitigates the pre-settlement risk by:

- using protective margin;
- receiving coverage from the counterparty for the amount of the possible pre-settlement risk;
- including contractual clauses entitling the Bank's right to unilaterally terminate the contract ahead of schedule without paying penalties in case of insufficient coverage compared to the pre-settlement risk amount;
- concluding a counterclaim netting agreement with the counterparty.

In order to avoid a settlement risk, the Bank has the right to conclude contracts on the terms of prepayment or preliminary delivery from the counterparty or on the terms of delivery against payment through the central counterparty.

Quantitative parameters for determining and regulating credit risk are:

- maximum credit risk exposure per counterparty (N7);
- large credit risk exposure (N8);
- maximum credit risk exposure for transactions with the bank's related parties (N9);
- the ratio of negatively classified assets (less provisions under these assets) to total assets;
- the ratio of the allowance for credit transactions with customers to credit transactions with customers.

Станом на 31.12.2023р. Банк не порушував пруденційні вимоги НБУ щодо кредитного

As of 31.12.2023, The Bank did not violate the NBU prudential requirements regarding credit risk.

Credit risk ratios as at 31.12.2023, were as follows:

- maximum credit risk exposure per counterparty (N7) was 17.289% with the standard ratio set up by the NBU not exceeding 25%;
- large credit risks exposure (N8) was 83.7503% with the standard ratio set up by the NBU not exceeding 800%;

- maximum credit risk exposure for transactions with the Bank's related parties (N9) was 2.4518%, with the standard ratio set up by the NBU not exceeding 25%;

The Bank determines the following quantitative risk appetite indicators for credit risk:

- maximum growth of the loan portfolio in percentage to its value at the beginning of the year;
- maximum debt per one borrower/group of related counterparties (hereinafter referred to as the GRC) as a percentage of the total loan portfolio and regulatory capital of the Bank;
- maximum industry and geographical concentration of the loan portfolio as a percentage of the total loan portfolio;
- maximum loan portfolio for credit products as a percentage of the total loan portfolio;
- maximum non-performing assets as a percentage of the corresponding type of assets or products.

The Bank determines credit risk limits for:

- the Bank's collegial bodies' authority to make credit decisions both for the loan portfolio as a whole and for one borrower or GRC;
- individual borrowers, as well as GRC;
- risk of concentration (maximum amount of debt) per borrower or GRC, on borrowers with similar type of business and on borrowers of same geographical region;
- risk by each counterparty;
- maximum amount of property that the Bank can acquire for ownership against repayment of the borrowers' debt.

Credit risk limits are met and as at 31.12.2023 are as follows:

- the Credit Committee's authority limit to make credit decisions per one borrower or GRC is up to 10% of regulatory capital (RC);
- the Management Board authority limit of to make credit decisions per one borrower or GRC is more than 10% of the actual size of the RC;
- the Management Board (or the Credit Committee) authority limit to make credit decisions per one borrower or GRC on transactions with the Bank's related parties is up to 1% inclusive of the actual size of the RC (for individuals) and up to 3% inclusive (for legal entities);
- the Supervisory Board authority limit to make credit decisions per one borrower or GRC is more than 10% of the total assets according to the latest annual financial statements of the Bank;
- the Supervisory Board authority limit of to make credit decisions per one borrower or GRC on transactions with the Bank's related parties is more than 1% of the actual RC (for individuals) and more than 3% (for legal entities);
- the Credit Committee, the Management Board, the Supervisory Board authority limit to make credit decisions for the loan portfolio as a whole is within the absolute growth of the loan portfolio (LP) determined by the Risk Exposure Declaration;
- credit risk limit per individual borrower/GRC (using CCF) is up to 24.50% of the actual RC;
- concentration risk limit (maximum debt amount) per borrower or GRC is up to 17.78% of the actual RC;
- concentration risk limit (maximum debt amount) per borrowers with similar business type is up to 53% of the actual RC;
- concentration risk limit (maximum debt amount) per borrowers from same geographical region is up to 85.50% of the total RC;
- counterparty risk limit by a single counterparty is up to 24.50% of the actual RC;
- limit of the maximum amount of property that the Bank can acquire in ownership to repay the borrowers' debt is within the limit of authority of the relevant collegial body of the Bank.

When making a decision to grant a loan, the Bank analyzes information and performs a comprehensive risk assessment taking into account the following factors:

- the purpose of obtaining a loan and the source of its repayment;
- credit history and current solvency of a borrower, based on the financial trends of previous periods and forecasts of cash flows in different scenarios;
- the viability of the business model of a borrower- legal entity, an individual - a private business entity, as well as the availability of sufficient competence and resources for its implementation;
- behavioral models of borrowers - individuals (application, behavioral scoring);

- practical business experience of the borrower, the state of the industry the borrower operates in, and its position in it, markets for products/services produced/provided by the borrower, the borrower's competitiveness;
- acceptability and sufficiency of collateral, the possibility of its realization;
- additional terms of the loan agreement to ensure that future credit risk increases are limited;
- forward-looking information on the required allowance for expected credit losses and the credit risk at the time of the loan issue;
- reputation of the borrower and its ability/willingness to bear legal responsibility and cooperate with the Bank on all issues that may arise during the period of using the loan;
- GRC structure and credit history and current solvency of these counterparties;
- decisions of persons responsible for managing a legal entity and exercising control over its activities, regarding obtaining a loan, their authority to make such decision;
- reliability and sufficiency of the Bank's legal position regarding the terms of the loan agreement and collateral/pledge agreements to ensure proper cooperation with borrowers/counterparties/pledgers.

The bank has a low level of risk appetite for credit risk, adheres to conservative approaches to credit risk management and uses lending practices that provide a significant probability that loans will be repaid.

Market (currency) risk

Market risk is the probability of losses or additional losses or loss of planned income due to the adverse impact of market risk factors (foreign exchange rates, interest rates and/or other factors) on the value/price of instruments. The Bank avoids the risks inherent in trading book instruments (zero risk appetite for default risk, trading book interest rate risk, credit spread risk, volatility risk, stock and commodity risk) and does not transact with trading book financial instruments.

Within part of market risks, the Bank manages currency risk (present or potential risk to receipts and capital arising from adverse fluctuations in foreign exchange rates and prices of precious metals) on the instruments contained in the bank book, and does not create policies and procedures for managing market risks inherent in the instruments of the trading book (default risk, trading book interest rate risk, credit spread risk, volatility risk, stock and commodity risk).

Currency risk management consists of implementation of the management process to perform the Bank's foreign exchange transactions with simultaneous control of open currency positions, taking into account the aspects of currency risk hedging. To assess and measure currency risk the Bank:

- analyses compliance with open currency position limits established by the NBU;
- analyses compliance with internal currency risk limits;
- analyses the situation in the currency and money market in order to assess the risk of possible changes in exchange rates and their impact on the Bank's performance;
- uses Value-at-Risk (VaR) method with a confidence probability of at least 99% and a statistical sample depth of at least 250 observations over a period of at least one calendar year;
- performs stress testing of currency risk.

The Bank sets the following limits for currency risk control:

- the maximum possible Value-at-Risk (VaR) or the maximum possible expected shortfall within 10 working days from the date of calculation with a confidence probability not lower than 99% (in case of holding foreign exchange positions at the actual level as of the beginning of the working day on which the calculation is made);
- the size of open currency positions in significant currencies as a percentage of the Bank's regulatory capital.

To assess the impact of sources of currency risk on its level, the Bank uses at least one (or a combination) of the following methods: sensitivity analysis of the portfolio of assets to changes in risk factors; scenario analysis; reverse stress testing.

Table 24.1. Currency risk analysis

| Line | Currency | Reprting period end | | | | UAH thousand | | | |
|------|------------------|---------------------|----------------------|-------------|-----------------|---------------------|----------------------|-------------|-----------------|
| | | 31.12.2023 | | | | Previous period end | | | |
| | | Monetary assets | Monetary liabilities | Derivatives | Net position | Monetary assets | Monetary liabilities | Derivatives | Net position |
| 1 | US Dollars | 828 086 | 873 480 | - | (45 394) | 742 371 | 795 961 | - | (53 590) |
| 2 | Euro | 533 161 | 563 534 | - | (30 373) | 393 211 | 421 173 | - | (27 962) |
| 3 | Pounds sterlings | 11 582 | 12 364 | - | (782) | 8 322 | 9 065 | - | (743) |
| 4 | Other | 8 245 | 11 868 | - | (3 623) | 7 290 | 8 533 | - | (1 243) |
| 5 | Total | 1 381 074 | 1 461 246 | - | (80 172) | 1 151 194 | 1 234 732 | - | (83 538) |

Table 24.2. Sensitivity of profit or loss and equity to possible changes in exchange rates applied at the reporting date, with all other variables held constant.

| Item | Reprting period end | | UAH thousand | |
|--|-----------------------|------------------|---------------------|------------------|
| | Effect on profit/loss | Effect on equity | Previous period end | Effect on equity |
| | 31.12.2023 | | 31.12.2022 | |
| US Dollar +40 % | (18 158) | (18 158) | (21 436) | (21 436) |
| US Dollar (-)40 % | 18 158 | 18 158 | 21 436 | 21 436 |
| Euro +40 % | (12 149) | (12 149) | (11 185) | (11 185) |
| Euro (-)40% | 12 149 | 12 149 | 11 185 | 11 185 |
| Pound sterling +40 % | (312) | (312) | (297) | (297) |
| Pound sterling (-)40 % | 312 | 312 | 297 | 297 |
| Other currencies and precious metals +40 % | (1 449) | (1 449) | (497) | (497) |
| Other currencies and precious metals (-)40 % | 1 449 | 1 449 | 497 | 497 |

When measuring currency risk, the Bank uses understandable, complete and documented assumptions that correspond to the Bank's business plan, as well as to the Bank's historical market and own statistics. The Bank defines the risk appetite for currency risk as low.

Table 24.3 Analysis of financial assets and liabilities by currency for 2023

| Line | Item | UAH thousand | | | |
|--------------------|----------------------------------|------------------|----------------|----------------|------------------|
| | | UAH | Euro | US Dollar | Other currencies |
| Assets | | | | | |
| 1 | Cash and cash equivalents | 2 813 773 | 127 044 | 92 508 | 19 827 |
| 2 | Investment securities | 301 021 | 41 956 | 292 034 | - |
| 3 | Loand and advances to customers: | 746 407 | 272 646 | 420 617 | - |
| 3.1 | Individuals | 52 280 | - | - | - |
| 3.2 | Legal entities | 694 127 | 272 646 | 420 617 | - |
| 4 | Other financial assets | 76 268 | 91 515 | 22 927 | - |
| 5 | Total financial assets | 3 937 469 | 533 161 | 828 086 | 19 827 |
| Liabilities | | | | | |
| 6 | Customer accounts: | 2 930 910 | 563 527 | 873 445 | 24 232 |
| 6.1 | Individuals | 767 113 | 435 605 | 545 198 | 22 596 |

| | | | | | |
|----------|------------------------------------|------------------|----------------|----------------|---------------|
| 6.2 | Legal entities | 2 163 797 | 127 922 | 328 247 | 1 636 |
| 7 | Other financial liabilities | 5 615 | 7 | 35 | - |
| 8 | Total financial liabilities | 2 936 525 | 563 534 | 873 480 | 24 232 |

Table 24.4 Analysis of financial assets and liabilities by currency for 2022

| Line | Item | UAH | Euro | US Dollar | UAH thousand Other currencies |
|--------------------|-------------------------------------|------------------|----------------|----------------|-------------------------------------|
| Assets | | | | | |
| 1 | Cash and cash equivalents | 2 939 369 | 219 971 | 209 993 | 15 515 |
| 2 | Investment securities | 13 093 | - | 84 684 | - |
| 3 | Loand and advances to customers: | 743 898 | 105 583 | 428 471 | - |
| 3.1 | Individuals | 75 948 | - | - | - |
| 3.2 | Legal entities | 667 951 | 105 583 | 428 471 | - |
| 4 | Other financial assets | 30 542 | 67 657 | 19 224 | 97 |
| 5 | Total financial assets | 3 726 902 | 393 211 | 742 371 | 15 612 |
| Liabilities | | | | | |
| 6 | Customer accounts: | 3 080 420 | 421 173 | 795 961 | 17 598 |
| 6.1 | Individuals | 565 450 | 335 188 | 469 609 | 15 628 |
| 6.2 | Legal entities | 2 514 970 | 85 985 | 326 352 | 1 970 |
| 7 | Other financial liabilities | 4 417 | - | - | - |
| 8 | Total financial liabilities | 3 084 837 | 421 173 | 795 961 | 17 598 |

Interet rate risk of banking book

Interest rate risk of the banking book is the likelihood of losses or additional losses or loss of planned income due to adverse changes in interest rates on the banking book. The interest rate risk of the banking book affects the economic value of the Bank's capital and the Bank's net interest income.

The main objective of interest rate risk management is to reduce the impact of changes in interest rates on the capital value by limiting and reducing the amount of possible losses that the Bank may incur on open positions due to changes in the situation on financial markets.

Interest rate risk of banking book includes the following risks:

- gap risk arising from differences in maturity (for fixed interest rate instruments) or changes in the interest rate index (for floating interest rate instruments) of assets, liabilities and off-balance sheet positions in the banking book. The Bank calculates the gap risk taking into account whether changes in interest rates occur are consistent with the entire yield curve (parallel risk), or differentiated by periods with a change in slope and shape of the yield curve (non-parallel risk);
- basis risk arising from the fact that there is not enough close relation between the adjustment of rates received and paid for various instruments, with all other characteristics related to revaluation held the same;
- option risk arising from the Bank's operations with options (automatic risk of options) or the presence of built-in options in standard products of the Bank (behavioral risk of options).

The Bank uses the following methods to manage the interest rate risk of the banking book depending on its type:

1) the gap risk: reduction of short-term interest gaps in the cases when the Bank assumes the transition of the yield curve to the inverted curve state (increase in interest rates in up to 6 months' terms);

2) basis risk:

- linking the floating interest rate on active transactions to the same benchmark that was used for the attracted resources;

- use of resources attracted at floating interest rates exclusively for lending at a floating rate with a similar frequency of revision;
- placing resources at a fixed interest rate, taking into account the terms for which resources of a similar type are attracted;

3) option risk

- setting a minimum rate in case of early withdrawal of funds when attracting deposits from customers (if such withdrawal is provided by the terms of the deposit);
- in pricing loans issued in the form of a revolving credit line (giving the client an option to withdraw/repay the loan at any time), using a special FTP-ask transfer rate on the revolving credit line, including additional margin that covers the Bank's risk (this minimizes the client's ability to use such a loan in order to obtain arbitration income: sampling during the period of high rates in order to place them in another bank at an increased rate and is higher than the loan rate, which was fixed at the time of signing the contract with subsequent repayment of the loan with a decrease in market rates);
- issuing "overdraft" loans exclusively on the terms when the Bank receives an option for a periodic interest rate revision (at least once a quarter), depending on changes in market indicators.

The Bank measures the banking book interest rate risk based on at least four scenarios of interest rate changes:

- the same rate of rates growth for all periods (parallel shock up);
- the same rate of decline in rates for all periods (parallel shock down);
- growth of rates only for periods up to 6 months inclusive (short rates shock up);
- falling only for periods up to 6 months inclusive (short rates shock down);
- increase in interest rates for periods up to six months in case of simultaneous fall in interest rates in other periods (flattener shock);
- falling rates for periods up to six months in case of simultaneous growth of rates in other periods (steepener shock).

The Bank uses the following instruments to assess the interest rate risk of the banking book:

- GAP analysis - to assess the change in the Bank's net interest income;
- modified duration method - to assess changes in the economic value of the Bank's capital;
- analysis of compliance with internal limits of interest rate risk of the banking book;
- analysis of the situation in the money market in order to assess the risk of possible changes in interest rates and their impact on NII and EVE;
- stress testing of the banking book interest rate risk.

Table 24.5. Monitoring of interest rates on financial instrument

| Item | Reporting period end 31.12.2023 | | | Previous period end 31.12.2022 | | | % | |
|------|---|--------------|------|-----------------------------------|--------------|------|------|--|
| | UAH | US Dollar | Euro | UAH | US Dollar | Euro | | |
| | Assets | | | | | | | |
| 1 | Cash and cash equivalents | 0,00 | 2,36 | 1,33 | 0,00 | 0,92 | 0,11 | |
| 2 | Loans to other banks | 0,00 | 0,00 | 0,00 | 0,90 | 0,00 | 0,00 | |
| 3 | Loans and advances to customers | 18,73 | 5,55 | 5,20 | 14,93 | 6,20 | 5,11 | |
| 4 | Debt investment securities at fair value through other comprehensive income | 20,13 | 8,85 | 0,00 | 16,77 | 4,65 | 0,00 | |

| Liabilities | | | | | | | |
|--------------------|--------------------|-------|------|------|-------|------|------|
| 5 | Customer accounts: | 10,27 | 0,40 | 0,17 | 7,54 | 0,61 | 0,26 |
| 5.1 | Current accounts | 7,51 | 0,03 | 0,01 | 6,41 | 0,19 | 0,04 |
| 5.2 | Term deposits | 16,03 | 0,97 | 0,61 | 12,75 | 1,51 | 1,48 |

Table 24.6. Analysis of interest rate risk

| Item | Reporting period end | | | Previous period end | | | UAH thousand |
|------|--|--------------------|---------|---------------------|--------------------|---------|--------------|
| | 31.12.2023 | | | 31.12.2022 | | | |
| | Up to 1 year | More than one year | Total | Up to 1 year | More than one year | Total | |
| 1 | Total financial assets | 5 006 060 | 312 483 | 5 318 543 | 4 730 000 | 148 097 | 4 878 097 |
| 2 | Total financial liabilities | 4 381 790 | 15 981 | 4 397 771 | 4 303 254 | 16 314 | 4 319 568 |
| 3 | Net interest sensitivity gap as at the end of the reporting period | 624 270 | 296 502 | 920 772 | 426 746 | 131 783 | 558 529 |

Based on the obtained net interest sensitivity gap, it is possible to draw conclusions on the effect of the interest rate change on the Bank's profit:

| Effect of the interest rate change on the Bank's profit | Reporting period end | | | Previous period end | | | UAH thousand |
|---|----------------------|--------------------|---------|---------------------|--------------------|---------|--------------|
| | 31.12.2023 | | | 31.12.2022 | | | |
| | Up to 1 year | More than one year | Total | Up to 1 year | More than one year | Total | |
| Interest rate change +1% | 6 243 | 2 965 | 9 208 | 4 267 | 1 318 | 5 585 | |
| Interest rate change (-)1% | (6 243) | (2 965) | (9 208) | (4 267) | (1 318) | (5 585) | |

Geographical risk

Geographical risk is the present or potential risk of the Bank incurring a loss as a result of non-fulfillment of contractual obligations by customers or counterparties that belong to a particular country and, accordingly, fall under the risks inherent in that country.

Geographical risk is not inherent in the Bank's activities due to the fact that the Bank has no branches and representative offices in other countries and operates only in Ukraine, with the exception of opening correspondent accounts with foreign banks to fulfill its obligations to customers.

Table 24.7. Analysis of geographic concentration of financial assets and liabilities for 2023.

| Line | Item | Ukraine | OECD | Other countries | Total | UAH thousand |
|---------------|---------------------------------|-----------|---------|-----------------|-----------|--------------|
| Assets | | | | | | |
| 1 | Cash a cash equivalents | 3 050 902 | 2 250 | - | 3 053 152 | |
| 2 | Loans and advances to customers | 1 439 670 | 0 | - | 1 439 670 | |
| 3 | Investment securities | 333 361 | 301 650 | - | 635 011 | |

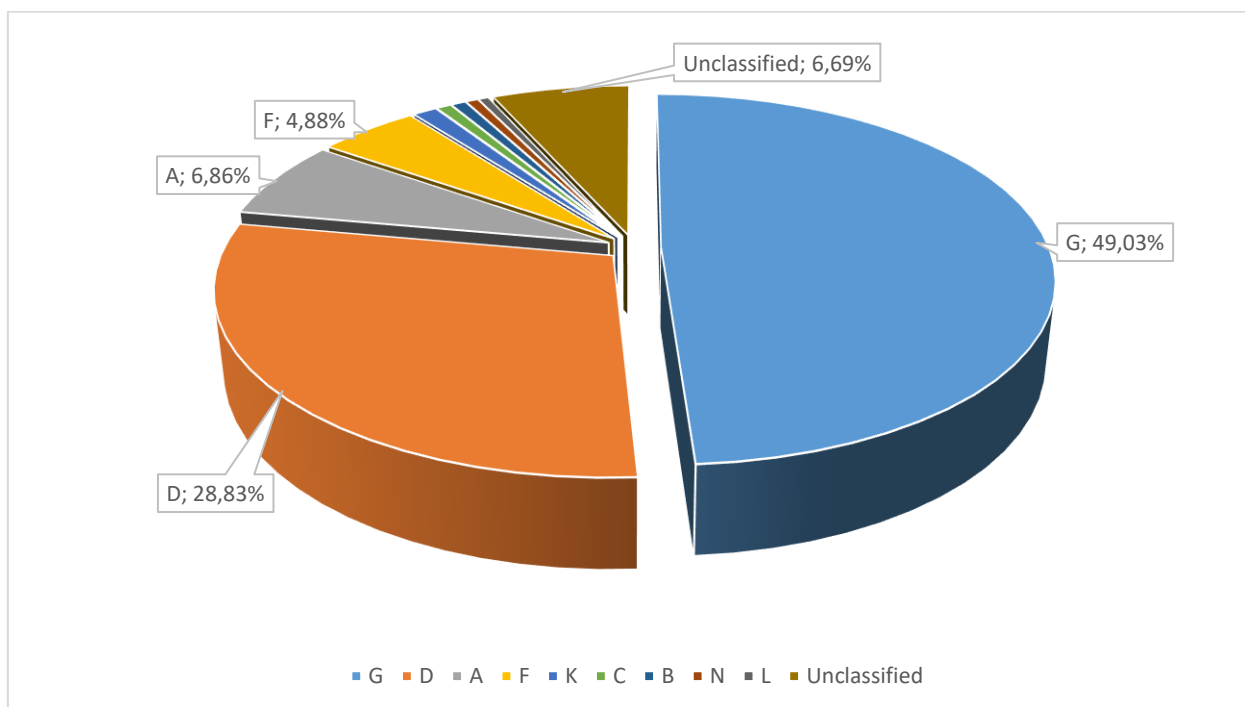
| | | | | | |
|--------------------|---|-----------|---------|----------|-----------|
| 4 | Other financial assets | 190 710 | | 0 | 190 710 |
| 5 | Total financial assets | 5 014 643 | 303 900 | 0 | 5 318 543 |
| Liabilities | | | | | |
| 6 | Customer accounts | 4 323 753 | 20 047 | 48 314 | 4 392 114 |
| 7 | Other financial liabilities | 5 612 | 45 | | 5 657 |
| 8 | Total financial liabilities | 4 329 365 | 20 092 | 48 314 | 4 397 771 |
| 9 | Net balance sheet position for financial instruments | 685 278 | 283 808 | (48 314) | 920 772 |
| 10 | Credit related commitments | 459 890 | | | 459 890 |

Table 24.8. Analysis of geographic concentration of assets and liabilities for 2022.

| Line | Item | Ukraine | OECD | Other countries | UAH thousand Total |
|--------------------|---|-----------|---------|-----------------|-----------------------|
| Активи | | | | | |
| 1 | Cash a cash equivalents | 3 153 096 | 231 567 | 186 | 3 384 849 |
| 2 | Loans and advances to customers | 1 156 624 | 121 328 | - | 1 277 952 |
| 3 | Debt investment securities at fair value through other comprehensive income | - | 84 684 | - | 84 684 |
| 4 | Investment securities at fair value through profit/loss | 13 093 | - | - | 13 093 |
| 5 | Other financial assets | 85 144 | 32 374 | 1 | 117 519 |
| 6 | Total financial assets | 4 407 957 | 469 953 | 187 | 4 878 097 |
| Liabilities | | | | | |
| 7 | Due to banks | | | | |
| 8 | Customer accounts | 4 229 477 | 39 192 | 46 483 | 4 315 152 |
| 9 | Other financial liabilities | 510 | 3 906 | - | 4 416 |
| 10 | Total financial liabilities | 4 229 987 | 43 098 | 46 483 | 4 319 568 |
| 11 | Net balance sheet position for financial instruments | 177 970 | 426 855 | (46 296) | 558 529 |
| 11 | Credit related commitments | 414 924 | | | 414 924 |

Concentration of other risks

Structure of loans by a type of business (by business codes – CVED) as at 01.01.2024 is as follows:



As at 01.01.2024, the structure of the Bank's loan portfolio by the type of business is not sufficiently diversified, since there is a significant dependence on the type of activity under "Wholesale and retail trade; repair of vehicles and motorcycles - section G" (the share is 49.03% of the total portfolio structure), respectively, the risk of concentration in this section of the loan portfolio is increased. The way of minimizing this risk is to attract new customers by creating attractive and competitive programs for their service in other areas of business while maintaining the required level of asset profitability.

Liquidity risk

Liquidity risk is the probability of losses or additional losses or loss of planned income due to the Bank's inability to finance the growth of assets and/or the fulfillment of its obligations as due.

The Bank uses the following instruments to assess and measure liquidity risk:

- analysis of compliance with liquidity norms and mandatory norms of provisioning established by the NBU;
- GAP analysis, reflecting a inconsistency between the requirements and obligations of the Bank (both balance sheet and off-balance sheet) on contractual or expected due dates;
- analysis of the Bank's liabilities concentration by significant groups of counterparties, instruments/products (concentration factors in total liabilities):
- comparison of assets and liabilities in each significant currency, including comparison in terms of strategic time intervals;
- monitoring of existing unpledged HQLAs (liquidity buffer), supported as possible collateral in case of implementation of stress scenarios, including the loss or deterioration of the conditions for attracting unsecured and normally available secured sources of financing by types and significant currencies;
- assessment of the available funds to finance activities in case of loss of access to unstable funding;
- analysis of the situation on the securities market and in the financial sector, as well as market characteristics of securities included in the list of high-quality liquid assets (HQLA); calculation of the excess liquidity indicator - excess of the actual liquidity buffer over its minimum required (planned) volume;

- calculation of the risk indicator of changes in cash flows due to a possible reduction in the amount of funding that can be obtained using the liquidity buffer (in particular, due to adjustment of the market value of the components of the HQLA);
- calculation of indicators of early detection of liquidity crisis;
- analysis of the Bank's liquidity risk within the operating day.

The Bank also uses the following methods to assess liquidity risk:

- analysis of the liquidity coverage ratio (LCR) in accordance with the resolution of the NBU Board of 15.02.2018 No. 13 "On the introduction of liquidity coverage ratio (LCR)";
- analysis of the Net Stable Financing Ratio (NSFR) in accordance with the requirements of the NBU Board Resolution of 24.12. 2019 No. 158 "On the introduction of a net stable financing ratio (NSFR)."

The Bank sets the following limits for liquidity risk control:

- cumulative gap limit (cumulative GAP) between requirements and obligations of the Bank for time intervals up to one year, calculated on the basis of GAP analysis;
- limits of the Bank's funding concentration for the five and ten largest depositors and other creditors of the Bank/GRC related to the Bank - aimed at ensuring diversification of funding sources.

During the reporting year 2023, the Bank complied with liquidity norms established by the National Bank of Ukraine. Liquidity ratios as at 31.12.2023 were as follows:

- the average arithmetic liquidity coverage ratio for the last 30 calendar days in a row, excluding this indicator amount as at the calculation date in all currencies (liquidity coverage ratio - LCRac) was 261.1183%, with the standard value set by the NBU of at least 100%;
- the actual average arithmetic liquidity coverage ratio for the last 30 calendar days in a row, excluding data on this indicator as at the calculation date in foreign currency (liquidity coverage ratio - LCRfc) was 343.9904% with the standard value set by the NBU of at least 100%;
- the net stable financing ratio (NSFR) was 232.22% with a standard value of at least 100% set by the NBU.

During the liquidity risk analysis, the Bank uses undiscounted cash flows when calculating the gaps between the maturity of assets and liabilities, according to which the maturity dates are reflected in accordance with the contracts.

Table 27.9. Analysis of financial assets and liabilities by customer types for the year 2023.

| Item | UAH thousand | | | | | | | |
|-----------------------------------|------------------|-----------------------|---------------|---------------------------|------------------|--|--|------------------|
| | Legal entities | Private entrepreneurs | Individuals | Self-employed individuals | Banks | Central executive authorities of Ukraine | Central executive authorities of other countries | Total |
| Assets | | | | | | | | |
| 1 Cash and cash equivalents | - | - | - | - | 3 053 152 | - | - | 3 053 152 |
| 2 Securities | - | - | - | - | - | 333 361 | 301 650 | 635 011 |
| 3 Loans and advances to customers | 1 387 390 | - | 52 280 | - | - | - | - | 1 439 670 |
| 4 Other financial assets | 362 | 3 | 6 142 | - | 184 203 | - | - | 190 710 |
| 5 Total financial assets | 1 387 752 | 3 | 58 422 | - | 3 237 355 | 333 361 | 301 650 | 5 318 543 |
| Liabilities | | | | | | | | |
| 6 Customer accounts | 2 581 042 | 38 789 | 1 763 571 | 165 | 8 548 | - | - | 4 392 115 |
| 7 Other financial liabilities | 917 | 1 245 | 44 | - | 3 450 | - | - | 5 656 |

| | | | | | | | | | |
|---|-----------------------------|------------------|---------------|------------------|------------|---------------|---|---|------------------|
| 8 | Total financial liabilities | 2 581 959 | 40 034 | 1 763 615 | 165 | 11 998 | - | - | 4 397 771 |
|---|-----------------------------|------------------|---------------|------------------|------------|---------------|---|---|------------------|

Table 24.10. Analysis of financial assets and liabilities by customer types for the year 2022.

| Item | Legal entities | Private entrepreneurs | Individuals | Self-employed individuals | Banks | UAH thousand | | Total | |
|--------------------|---------------------------------|-----------------------|---------------|---------------------------|--------------|--|--|------------------|------------------|
| | | | | | | Central executive authorities of Ukraine | Central executive authorities of other countries | | |
| Assets | | | | | | | | | |
| 1 | Cash and cash equivalents | - | - | - | 3 384 849 | - | - | 3 384 849 | |
| 2 | Securities | 13 093 | - | - | - | 84 684 | - | 97 777 | |
| 3 | Loans and advances to customers | 1 202 004 | - | 75 948 | - | - | - | 1 277 952 | |
| 4 | Other financial assets | 95 | 15 | 4 993 | 112 416 | - | - | 117 519 | |
| 5 | Total financial assets | 1 215 192 | 15 | 80 941 | 0 | 3 497 265 | 84 684 | - | 4 878 097 |
| Liabilities | | | | | | | | | |
| 6 | Customer accounts | 2 871 514 | 45 987 | 1 372 533 | 1 226 | 23 892 | - | - | 4 315 152 |
| 7 | Other financial liabilities | 1 618 | 1 763 | 64 | - | 971 | - | - | 4 416 |
| 8 | Total financial liabilities | 2 873 132 | 47 750 | 1 372 597 | 1 226 | 24 863 | - | - | 4 319 568 |

The specifics of JSB "CLEARING HOUSE" balance sheet structure is that the predominant share of liabilities contain funds of business entities. Therefore, to ensure liquidity, significant amounts of high-quality liquid funds are held in correspondent accounts. In addition, constant monitoring of "on demand" account balances makes it possible to calculate the volatility of this indicator and determine the share of funds that can be estimated in the process of liquidity risk analysis as "stable balances". Most term deposit funds of business entities are also conditionally stable funds, which, on the basis of historical data, can be estimated as longer-term than specified in the contracts. With high probability it is possible to assert that these funds in term deposit accounts will be prolonged.

Table 24.11. Analysis of financial liabilities by maturity for the reporting period (as at 31.12.2023).

| Line | Item | Up to 3 months | From 3 to 12 months | More that 1 year | UAH thousand |
|------|---|----------------|---------------------|------------------|--------------|
| | | | | | Total |
| 1 | Customer accounts | 4 305 847 | 70 451 | 15 816 | 4 392 114 |
| 2 | Other financial liabilities | 3 535 | 1 958 | 164 | 5 657 |
| 3 | Other credit-related commitments | 50 515 | 349 114 | 60 261 | 459 890 |
| 4 | Potential future payments for financial liabilities | 52 | - | - | 52 |
| 5 | Total financial liabilities including potential future payments | 4 359 949 | 421 522 | 76 242 | 4 857 713 |

Table 24.12. Analysis of financial liabilities by maturity for the reporting period (as at 31.12.2022).

| Line | Item | Up to 3 months | From 3 to 12 months | More that 1 year | UAH thousand |
|------|------|----------------|---------------------|------------------|--------------|
| | | | | | Total |

| | | | | | |
|---|---|-----------|--------|--------|-----------|
| 1 | Customer accounts | 4 213 913 | 87 750 | 13 489 | 4 315 152 |
| 2 | Other financial liabilities | 208 | 1 382 | 2 826 | 4 416 |
| 3 | Other credit-related commitments | 414 924 | - | - | 414 924 |
| 4 | Potential future payments for financial liabilities | 57 | - | - | 57 |
| 5 | Total financial liabilities including potential future payments | 4 629 102 | 89 132 | 16 315 | 4 734 549 |

When analyzing financial assets and liabilities by maturity based on expected maturity dates, the main estimated indicator is the cumulative gap, which indicates a deficit (negative value) or excess (positive value) of funds. However, the fact of the gap is not necessarily an indicator of imbalance, which leads to the loss of capital. Certain gap limits do not carry an increased risk for the Bank, while the Bank is able to cover such gaps without resorting to methods that lead to loss of capital. The Asset and Liability Management Committee approves ratios (cumulative gap over a certain period to the total assets) that are marginal for the Bank. In case of changes in the economic situation, the structure of the balance sheet or other significant factors, the committee adjusts these ratios.

The Bank has a low level of risk appetite for liquidity risk. The Bank maintains sufficient liquidity to meet its obligations. The potential loss (lost income) from maintaining the required level of high-quality liquid assets is realized by reducing the NII of the Bank and is reflected in the risk appetite for interest rate risk.

25. Capital Management

Capital is one of the most important indicators of the Bank's activities, the main purpose of which is to cover the possible negative consequences of various risks that the Bank is exposed to in the course of its activities, and to ensure the protection of deposits, financial stability and stable operation of the Bank.

In order to minimize the possible negative impact of risks on the regulatory capital, the Bank constantly does the following:

- controls the level of asset diversification;
- invests taking into account prudence and profitability;
- assesses the quality of all assets and off-balance sheet lending liabilities (objective and consistent assessment of assets is based on transparent standards, accounting practices and can be strengthened by attracting expert appraiser);
- forms reserves to cover possible losses from asset operations;
- develops incentive actions and programs in order to attract additional cheaper resources;
- analyses the level of interest rates on assets and liabilities, compliance with an acceptable level of interest margin, monitoring of interest rates of other banks;
- controls the currency position, the sufficiency of attracted resources for asset operations for each type of currency;
- monitors the current legislation of Ukraine.

In its work, the Bank uses the following methods of capital management:

- financial planning that consists of several stages: budget approval for the next year (at the end of the year), budget execution control (quarterly) and monthly planning of the Bank's financial result;
- capitalization of the Bank. In order to realize the Bank's strategic goal, taking into account the economic indicators of Ukraine's development as a whole, raising the issue of increasing the authorized capital for consideration of the General Meeting of the Banks' Shareholders, allocation of dividends to form a reserve fund that exceeds the legally established minimum;

- assessment of the Bank's capital adequacy;
- development and approval of new banking products, expanding the range of customers by types of services;
- assessment of the impact of shock events (scenario analysis) on the fall in the capital market value in order to determine the amount of losses in general and by certain types of assets in the event of extreme events, as well as the potential capabilities of the Bank to cover these losses, assess the state of equity and determine the quality of its own risk management techniques.

When assessing capital adequacy, the following elements are considered:

- sufficiency, reliability, compliance and objectivity of accumulated reserves;
- compliance with the NBU norms established by law.

As at 01.01.2024, the regulatory capital adequacy ratio was 42.96%, which is 32.96% more than the normative ratio.

As of 01.01.2024, the actual value of the regulatory capital calculated on the basis of file 01X data according to the rules for calculating prudential indicators established by the NBU, was UAH 987,548,899,44, which is UAH 787,548,899,44 more than the normative value.

26. Contingent Liabilities

a) As of 01.01.2024, there are two cases in which the Bank acts as a defendant:

- in the proceedings of the Izmail City District Court of the Odessa Region there is a case No. 946/8652/23 on the claim of Tatyana Vladimirovna Dontsova (hereinafter referred to as the Claimant) to Joint-Stock Company "BANK "CLEARING HOUSE" (hereinafter referred to as the Defendant/the Bank) on the obligation to take certain actions, in which the Claimant requests to oblige the Respondent to transfer (return) the blocked funds in the national currency in the total amount of UAH 67,214,00, which are on the settlement account of card No. 4132,8270,1493,3724 to the account determined by the Plaintiff;
- in the proceedings of the Commercial Court of Kyiv there is a case No. 910/19738/23 at the request of the Limited Liability Company "UKRVTORENERGORESURS" to the Joint Stock Company "BANK "CLEARING HOUSE" (hereinafter - the Defendant/Bank) for granting permission to the Client to use his account.

b) the Bank has no potential tax liabilities;

c) the Bank has no capital investment obligations;

d) Lease obligations:

The Bank has 19 operating leasing agreements, among which there are no lease agreements with a lease term of one or less months; 12 lease agreements of low-value assets under which right-of-use assets and lease liabilities are not recognized, and lease payments are recognised as costs on a straight-line basis over the lease term and accounted for in expense accounts; and 7 leases that are accounted for in accordance with IFRS 16.

Future costs associated with the lease of low-value assets amount to UAH 260 thousand

The future repayment of lease liabilities under lease agreements is UAH 1,903 thousand
 repayment due within up to 1 year for UAH 1,898 thousand;
 repayment due from 1 year to 5 years for UAH 5 thousand.

Table 26.1 Future repayment of lease liabilities under lease agreements

| Line | Item | UAH thousand | |
|----------|-------------------|--------------|--------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Up to 1 year | 158 | 2 111 |
| 2 | From 1 to 5 years | 102 | 836 |
| 3 | Total | 260 | 2 947 |

The Bank has one lease agreement, which is an investment property lease agreement.

Under this agreement, the Bank leases the complex of real estate.

Table 26.2 Structure of credit-related commitments

| Line | Item | UAH thousand | |
|----------|--|------------------|------------------|
| | | 31.12.2023 | 31.12.2022 |
| 1 | Unused credit lines | 1 164 376 | 1 599 714 |
| 2 | Guarantees issued | 459 890 | 414 924 |
| 3 | Provision for credit-related commitments | - | - |
| 4 | Total credit-related commitments less provision | 1 624 266 | 2 014 638 |

Table 26.3 Structure of credit-related commitments

| Line | Item | 31.12.2023 | 31.12.2022 |
|------|-----------|------------------|------------------|
| 1 | UAH | 850 475 | 1 304 023 |
| 2 | US Dollar | 118 536 | 140 950 |
| 3 | Euro | 195 365 | 154 741 |
| 4 | Other | | |
| 5 | Total | 1 164 376 | 1 599 714 |

The Bank has no irrevocable liabilities

27. Fair Value

Fair value is the price that would be derived from the sale of an asset or paid on a liability in a normal transaction between market participants at the measurement date. Fair value is determined by the Bank as the amount for which a financial instrument can be exchanged between knowledgeable and interested parties under ordinary conditions other than compulsory or liquidation. The best evidence of fair value is the market price of the financial instrument.

The Bank calculates fair value of a financial instruments based on available market information (if any) and using appropriate valuation techniques.

For up to one month asset, the fair value is approximately equal to its carrying amount due to the high urgency of these financial instruments. For assets with a longer term, market rates are applied, which, accordingly, makes the fair value equal to the carrying amount of financial instruments.

The Bank accounts for securities at fair value and amortised cost. The fair value of securities carried at amortised cost does not significantly differ from their carrying amount.

The fair value of the loan portfolio is based on the characteristics of loan servicing and the interest rate of individual loans in each sector of the portfolio. The assessment of the allowance for credit losses is based on the risk premium applied to different types of loans, based on such factors as the current situation in the economic sector the borrower operates in, the financial condition of each borrower and the guarantees received. Accordingly, the allowance for credit losses is considered as a weighted estimate of possible losses, which is required to reflect the impact of credit risk. Basically, loans are provided on market terms, and therefore current balance sheets reflect fair value. The carrying amount calculated as the amortised value of such financial instruments is a reasonable approximation to their fair value.

For up to one month deposits, the fair value is approximately equal to its carrying amount due to the short-term nature of these financial instruments. For longer term deposits, the interest rates applied reflect market rates and, accordingly, the fair value is close to the carrying amount.

In the view of the Bank's Management, the carrying amount of assets and liabilities that are not measured at fair value on an ongoing basis and which is recorded in the financial statements does not differ significantly from their fair value. The Bank also regularly reviews interest rates in order to bring the latter to market levels.

Table 27.1 Fair value disclosure as at 31.12.2023.

| | Measurement date | Fair value measurement model | | | UAH thousand | |
|---|------------------|------------------------------|--|---|------------------|-----------------------|
| | | Level 1 (market quotes) | Level 2 (based on market observable data) | Level 3 (indicators not confirmed by market observable data) | Total fair value | Total carrying amount |
| Assets measured at fair value | | | | | | |
| Cash and cash equivalents | 31.12.2023 | - | 518 462 | - | 518 462 | 518 462 |
| Debt investment securities at fair value through other comprehensive income | 31.12.2023 | - | 479 944 | - | 479 944 | 479 944 |
| Property, plant – buildings | 31.12.2023 | - | - | 100 648 | 100 648 | 100 648 |
| Investment property | 31.12.2023 | - | - | 12 733 | 12 733 | 12 733 |
| Assets with fair value disclosed | | | | | | |
| Cash and cash equivalents | 31.12.2023 | - | 2 534 690 | - | 2 534 690 | 2 534 690 |
| Loans and advances to customers | 31.12.2023 | - | - | 1 439 670 | 1 439 670 | 1 439 670 |
| Debt investment securities at amortised cost | 31.12.2023 | - | 155 067 | - | 155 067 | 155 067 |
| Property, plant, equipment (other than buildings) | 31.12.2023 | - | - | 32 874 | 32 874 | 32 874 |
| Other financial assets | 31.12.2023 | - | - | 190 710 | 190 710 | 190 710 |
| Liabilities with fair value disclosed | | | | | | |
| Customer accounts, incl. | 31.12.2023 | - | 4 392 114 | - | 4 392 114 | 4 392 114 |
| Current accounts | 31.12.2023 | - | 3 371 342 | - | 3 371 342 | 3 371 342 |
| Term deposits | 31.12.2023 | - | 1 020 772 | - | 1 020 772 | 1 020 772 |

| | Measurement date | Fair value measurement model | | | Total fair value | Total carrying amount |
|-----------------------------|------------------|------------------------------|---|--|------------------|-----------------------|
| | | Level 1 (market quotes) | Level 2 (based on market observable data) | Level 3 (indicators not confirmed by market observable data) | | |
| Other financial liabilities | 31.12.2023 | - | - | 5 657 | 5 657 | 5 657 |

Table 27.2 Fair value disclosure as at 31.12.2022.

| | Measurement date | Fair value measurement model | | | Total fair value | Total carrying amount |
|---|------------------|------------------------------|---|--|------------------|-----------------------|
| | | Level 1 (market quotes) | Level 2 (based on market observable data) | Level 3 (indicators not confirmed by market observable data) | | |
| Assets measured at fair value | | | | | | |
| Government bonds | 31.12.2022 | | 84 684 | | 84 684 | 84 684 |
| Securities | 31.12.2022 | - | | 13 093 | 13 093 | 13 093 |
| Property, plant – buildings | 31.12.2022 | - | - | 103 592 | 103 592 | 103 592 |
| Investment property | 31.12.2022 | - | - | 124 558 | 124 558 | 124 558 |
| Assets with fair value disclosed | | | | | | |
| Cash and cash equivalents | 31.12.2022 | - | 3 384 849 | - | 3 384 849 | 3 384 849 |
| Loans and advances to customers | 31.12.2022 | - | - | 1 277 952 | 1 277 952 | 1 277 952 |
| Property, plant, equipment (other than buildings) | 31.12.2022 | - | - | 32 519 | 32 519 | 32 519 |
| Other financial assets | 31.12.2022 | - | - | 117 519 | 117 519 | 117 519 |
| Liabilities with fair value disclosed | | | | | | |
| Customer accounts, incl. | 31.12.2022 | - | 4 315 152 | - | 4 315 152 | 4 315 152 |
| Current accounts | 31.12.2022 | - | 2 661 784 | - | 2 661 784 | 2 661 784 |
| Term deposits | 31.12.2022 | - | 1 653 368 | - | 1 653 368 | 1 653 368 |
| Other financial liabilities | 31.12.2022 | - | - | 4 416 | 4 416 | 4 416 |

28 Presentation of Financial Instruments by Measurement Hierarchy

Table 28.1 Financial assets by measurement hierarchy for the year 2023.

| Line | Item | | | | UAH thousand |
|----------|---|--|---|--|------------------|
| | | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Total |
| | Assets | | | | |
| 1 | Cash and cash equivalents | 2 534 690 | 518 462 | - | 3 053 152 |
| 2 | Loans and advances to customers: | 1 439 670 | - | - | 1 439 670 |
| 2.1 | Corporate loans | 1 387 390 | - | - | 1 387 390 |
| 2.2 | Mortgage loans to individuals | 509 | - | - | 509 |
| 2.3 | Consumer loans to individuals | 51 771 | - | - | 51 771 |
| 2.4 | Allowance for expected credit loss | (345 868) | - | - | (345 868) |
| 3 | Debt investment securities at fair value through other comprehensive income | - | 479 944 | - | 479 944 |
| 4 | Investment securities at amortised cost | 155 067 | - | - | 155 067 |
| 5 | Other financial assets: | 190 710 | - | - | 190 710 |
| 5.1 | Receivables on payment cards transactions | 75 316 | - | - | 75 316 |
| 5.2 | Cash and cash equivalents restricted in use | 108 886 | - | - | 108 886 |
| 5.3 | Other financial assets | 6 508 | - | - | 6 508 |
| 6 | Total financial assets | 4 320 137 | 998 406 | - | 5 318 543 |

Table 28.2 Financial assets by measurement hierarchy for the year 2022.

| Line | Item | | | | UAH thousand |
|------|---|--|---|--|--------------|
| | | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Total |
| | Assets | | | | |
| 1 | Cash and cash equivalents | 3 384 849 | - | - | 3 384 849 |
| 2 | Loans and advances to customers: | 1 277 952 | - | - | 1 277 952 |
| 2.1 | Corporate loans | 1 202 004 | - | - | 1 202 004 |
| 2.2 | Mortgage loans to individuals | 4 365 | - | - | 4 365 |
| 2.3 | Consumer loans to individuals | 71 583 | - | - | 71 583 |
| 2.4 | Allowance for expected credit loss | (434 751) | - | - | (434 751) |
| 3 | Debt investment securities at fair value through other comprehensive income | - | - | 13 093 | 13 093 |
| 4 | Investment securities at amortised cost | - | 84 68 | - | 84 684 |

| Line | Item | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Total |
|----------|--|--|---|--|------------------|
| 5 | Other financial assets: | 117 519 | - | - | 117 519 |
| 5.1 | Receivables on payment cards transactions | 29 262 | - | - | 29 262 |
| 5.2 | Cash and cash equivalents restricted in use | 83 154 | - | - | 83 154 |
| 5.3 | Other financial assets | 5 103 | - | - | 5 103 |
| 6 | Total financial assets | 4 780 320 | 84 684 | 13 093 | 4 878 097 |

Table 28.3 Financial liabilities by measurement hierarchy for the year 2023.

| Line | Item | Financial liabilities at amortised cost | UAH thousand Total |
|----------|------------------------------------|--|-----------------------|
| | Liabilities | | |
| 1 | Customer accounts | 4 392 114 | 4 392 114 |
| 2 | Other financial liabilities | 5 657 | 5 657 |
| 3 | Total financial liabilities | 4 397 771 | 4 397 771 |

Table 28.4 Financial liabilities by measurement hierarchy for the year 2022.

| Line | Item | Financial liabilities at amortised cost | UAH thousand Total |
|----------|------------------------------------|--|-----------------------|
| | Liabilities | | |
| 1 | Customer accounts | 4 315 152 | 4 315 152 |
| 2 | Other financial liabilities | 4 416 | 4 416 |
| 3 | Total financial liabilities | 4 319 568 | 4 319 568 |

29 Related Party Transactions

The major owners (participants) of the Bank are Yuliya L'ovochkina with 63.4068% participation (share) in the Bank and Ivan Fursin with 16.7791% participation (share) in the Bank.

Other owners have a non-substantial (less than 10%) share.

The total amount of net loan portfolio granted to related parties is 0.04% of the Bank's regulatory capital.

The amount of funds raised from related parties is 4.09% of the Bank's liabilities.

Table 29.1 Outstanding balances with related parties as at 31.12.2023.

| Line | Item | Major participants (shareholders) of the Bank | Key management | UAH thousand Related entities | Other related parties |
|------|---|--|-------------------|-------------------------------------|-----------------------------|
| 1 | Customer accounts (contractual interest rate: 0% - 4%) | 47 853 | 3 463 | 130 951 | 2 475 |
| 2 | Other assets | - | 2 | - | 2 |
| 3 | Other liabilities | 16 | 5 | 1 | 28 |

Table 29.2 Outstanding balances with related parties as at 31.12.2022.

| Line | Item | UAH thousand | | | |
|------|--|---|----------------|------------------|-----------------------|
| | | Major participants (shareholders) of the Bank | Key management | Related entities | Other related parties |
| 1 | Investment securities | - | - | 13 094 | - |
| 2 | Loans and advances to customers (contractual interest rate: 35%) | - | 68 | - | 152 |
| 3 | Allowance for ECL | - | 5 | - | 11 |
| 4 | Customer accounts (contractual interest rate: 0% - 4%) | 69 397 | 6 944 | 88 133 | 8 673 |
| 5 | Other assets | - | - | - | - |
| 6 | Other liabilities | 17 | 11 | 1 | 19 |

Table 29.3 Income and expense from transactions with related parties for the year 2023.

| Line | Item | UAH thousand | | | |
|------|---|---|----------------|------------------|-----------------------|
| | | Major participants (shareholders) of the Bank | Key management | Related entities | Other related parties |
| 1 | Interest income | - | 3 | - | 22 |
| 2 | Interest expense | (600) | (9) | (491) | (8) |
| 3 | Change in expected credit loss and due from other banks | - | 8 | 24 | 11 |
| 4 | Revaluation of other financial instruments at fair value through profit or loss | - | - | (1 659) | - |
| 5 | Fee and commission income | 192 | 71 | 368 86 | - |
| 6 | Administrative expenses | - | (1) | - | (1) |

Table 29.4 Income and expense from transactions with related parties for the year 2022.

| Line | Item | UAH thousand | | | |
|------|---|---|----------------|------------------|-----------------------|
| | | Major participants (shareholders) of the Bank | Key management | Related entities | Other related parties |
| 1 | Interest income | 16 | 5 | - | 23 |
| 2 | Interest expense | (1 012) | (21) | (633) | (34) |
| 3 | Change in expected credit loss and due from other banks | 8 | 4 | (29) | (11) |
| 4 | Fee and commission income | 120 | 116 | 192 | 108 |
| | Revaluation of other financial instruments at fair value through profit or loss | | | (3 944) | |

Table 29.5 Total amounts lent to and repaid by related parties during the year 2023

UAH thousand

| Line | Item | Major participants (shareholders) of the Bank | Key management | Other related parties |
|------|--|---|----------------|-----------------------|
| 1 | Loans extended for the reporting period | - | 2 064 | - |
| 2 | Loans repaid by related parties for the reporting period | - | 2 064 | - |

Table 29.6 Total amounts lent to and repaid by related parties during the year 2022.

| Line | Item | Major participants (shareholders) of the Bank | Key management | Other related parties | UAH thousand |
|------|--|---|----------------|-----------------------|--------------|
| 1 | Loans extended for the reporting period | 168 | 2 706 | - | |
| 2 | Loans repaid by related parties for the reporting period | 268 | 2 698 | - | |

Table 29.7 Compensation paid to the key management

| Line | Item | 2023 | | 2022 | |
|------|------------------|---------|-------------------|---------|-------------------|
| | | Expense | Accrued liability | Expense | Accrued liability |
| 1 | Current payments | 25 338 | 2 286 | 24 805 | 2 475 |

30. Subsequent Events

As at the date of signing and approval of these financial statements, the active phase of the war launched by the Russian Federation against Ukraine on February 24, 2022, continues. The foreign exchange market continues to operate under significant restrictions introduced under martial law by the NBU Resolution No. 18 of February 24, 2022 "On the work of the banking system during martial law."

In the context of a long war, the Bank appreciates the trust of customers, supports high operational efficiency and profitability.

The Bank's efforts are focused on maintaining the quality of the loan portfolio by improving communication with borrowers and introducing refinancing programs and various promotional measures in order to bring the debt burden on customers in line with the current state of their solvency.

The Decree of the President of Ukraine dated February 5, 2024 No. 49/2024, has extended the martial law in Ukraine for another 90 days starting from 5.30 am February 14, 2024.

The Board of the National Bank decided to reduce the key policy rate from 15% to 14.5% from March 15, 2024.

Approved for issue and signed on 18.04.2024

Chariman of the Board

Viktorii Andreievskia

Chief Accountant

Oleksandra Markina



**JOINT STOCK COMPANY
“BANK “CLEARING HOUSE”**

Management Report
for the year 2023

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JSB "CLEARING HOUSE" has been operating in the financial market of Ukraine since 1996 and offers a full range of banking services for all subjects of economic relations.

The Bank provides services to customers through the Head Office and separate branches:

- Head Office is located at: 5, Borisoglebskaya St., Kyiv, letter A);
- Private Banking Center is located at: 5/2 Zankovetska St., Kyiv);
- "Dnipropetrovsk Regional Administration" Branch is located at: 4, Sichiovykh Striltsiv St., Dnipro);
- "Odessa Regional Administration" Branch is located at: 29, Uspenskaya St., Odessa).

The powerful team of JSB "CLEARING HOUSE" comprises almost 250 employees who share the Bank's values, are real professionals and care about the high quality of customer service.

The Bank is operating under the license of the National Bank of Ukraine, No. 171 of October 13, 2011 on the right to carry out banking activities, as defined by Part three Article 47 of the Law of Ukraine "On Banks and Banking". The Bank is licensed by the National Securities and Stock Market Commission for carrying out the following professional depository activities in the capital market:

- Series AE No.263457 of 01.10.2013 - depository activity of a depository institution;
- Series AE No.263458 of 01.10.2013 - storing assets of joint investment institutions;
- Series AE No.263459 of 01.10.2013 - storing assets of pension funds.

The Bank is licensed by the National Securities and Stock Market Commission for carrying out the following professional activities on trading financial instruments in the capital markets:

- Series AE No.185076 of 19.10.2012 for dealer activity;
- Series AE № 185077 of 19.10.2012 for broker activity;
- Decision №420 of 01.07.2021 for sub-broker activity.

The Bank is a member of the Deposit Guarantee Fund of Individuals (registered on February 14, 2002, registration number No. 149 dated November 08, 2012) and operates in accordance with the Law of Ukraine No. 4452-VI dated 23.02.2012 "On the Deposit Guarantee System of Individuals."

The Bank is a member of the Independent Association of Banks of Ukraine, the Association of Taxpayers of Ukraine, the Professional Association of Capital Markets and Derivatives Participants.

The Bank is actively integrated into international information and payment systems: it is a member of the S.W.I.F.T. international payment system and a user of the Bloomberg international dealing system, an associate member of the VISA international payment system, provides access to Apple Pay and Google Pay payments.

1. Strategic Mission and Goal

The Bank's mission

The Bank is a modern and stable financial institution, whose mission is to provide customers with high-quality banking services and excel expectations of the customers by using an individual approach and contributing to the economic and social development of society.

The Bank strives to be a reliable partner for its customers, a financial advisor and assistant who understands the needs and goals of customers and offers them effective solutions

Strategic mission of the Bank Is to maintain the status of a reliable partner for all stakeholders of cooperation; to ensure balanced growth in line with Ukrainian banks with private capital segment, to place special emphasis on the developing relations and business with medium-sized corporate customers and private banking customers, to provide the highest quality services, and to introduce modern digital banking with remote customer service.

2. Strategic Development

The key dimensions of the Bank's Business model are:

Customers. The Bank focuses on attracting and developing relationships with customers from certain target segments that meet reputation and financial position requirements.

Products. The Bank's product range is determined by the current and prospective needs of customers from target segments. The price and tariff policy of the Bank is based on market equivalents and must ensure a sufficient level of profitability.

Technology. The Bank closely monitors the innovation process in the financial sector and carefully introduces modern technologies if prove effective when used by market leaders.

Risk management. The Bank organizes a risk management system that is based on segregation of responsibilities between units using 'three lines of protection' model that corresponds to the best practice. The main purpose of building a risk management system is to ensure the financial stability of the Bank and the effective use of available resources to optimize the risk/yield ratio.

Staff. The Bank creates comfortable working conditions for staff in order to build a strong, cohesive and loyal team of professionals who improve their own skills and professional competencies through the Bank's development.

To build and develop relationships with customers, JSB "CLEARING HOUSE" is based on a segment approach.

The Bank is focused on cooperation with 3 target segments:

- *Corporate* - large enterprises, business entities. More than 670 enterprises in 2023 entrusted their banking services with JSB "CLEARING HOUSE".
- *Private Banking* - wealthy private customers. The Bank is a sustainable partner for more than 2,900 wealthy customers who have access to exclusive services in specialized branches.
- *Bank at work* -physical persons and enterprises of small and medium-sized businesses. This is more than 36,000 individual customers and customers of small and medium-sized businesses.

The Bank assigns the customer to its specific segment based on:

- Service requirements and requirements for banking products;
- Interests of the customer and his capabilities.

Effective work with an individual customer is built on:

- The development of relevant services and channels for each business segment;
- Planning and analysis of business objectives for each segment separately and synergy from cooperation of business areas.

The Bank aims to maintain financial stability and efficiency in the long term, so the main benchmarks are:

1. Business profitability.
 - Maintaining the return on assets of at least **3.5%**;
 - Maintaining the return on equity of at least **15%**.
2. Financial reliability and capital adequacy.
 - Ensuring sufficient capital adequacy of at least **13%**.

3. Ratings and Awards

In 2023, the long-term credit rating of the Bank as recognized and authorized by the National Rating Agency "RURIK", is at 'uaAA' investment category with the "in development" forecast.

By decision No. 230217-04-CLDIM-KPP-013-OH of 31.01.2024, the long-term credit rating of JSB "CLEARING HOUSE" was once again confirmed at 'uaAA' investment category with an "in development" forecast that is characterized by the very high solvency compared to other Ukrainian borrowers or debt instruments. The "in development" forecast indicates at an increased probability of changing the credit rating level with the possibility of implementing both positive and negative trends and current risks.

Also, the rating agency "RURIK" by its decision No. CLDIM-ND-013-ON of 31.01.2024 determined the reliability rating of JSB "CLEARING HOUSE" deposits at 'r4+'. The 'r4' reliability level means high reliability of deposits, where the Bank's activities are characterized by moderate dependence on financial and economic conditions, as well as on market conditions. The probability of return on deposits is high. The "+" sign indicates an intermediate rating level in relation to main levels.

Key factors influencing the high credit rating include:

- Sufficient level of protection of assets by equity.
- Sufficient liquidity indicators.
- Acceptable currency structure of the customer loan portfolio.
- Significant concentration of the customer loan portfolio.
- Sufficient performance indicators.

4. Corporate Governance Report

Corporate governance in JSB "CLEARING HOUSE" is carried out in accordance with the norms of the Civil and Commercial Codes, Laws of Ukraine "On Banks and Banking," "On Joint Stock Companies," "On Financial Services and Financial Companies", "On Capital Markets and Organized Commodity Markets," other laws, regulatory acts of the National Bank of Ukraine, the National Securities and Stock Market Commission, the Charter, the Corporate Governance Code of JSB "CLEARING HOUSE", decisions of the general meeting of shareholders, the Supervisory Board and the Management Board of the Bank.

Corporate Governance Code of in JSB "CLEARING HOUSE" is on the Bank's website at:

https://www.clhs.com.ua/storage/app/media/docs/about/Informatsiia_Emitentia/kod%D0%B5ks_korporatyvnoho_upravlinnia_27112023.pdf

In 2023, the Bank closely adhered to the principles of the Corporate Governance Code; there were no deviations from the requirements of this Code.

The key methods of the Bank's corporate governance are as follows:

- rational and clear segregation of authority between management and control bodies, ensuring their effective operation;
- defining strategic objectives of the Bank's activities and monitoring their implementation (including organization of effective systems for planning, managing banking risks and internal control);
- control over prevention, identification and resolving conflicts of interest that may arise between shareholders, members of the Supervisory Board, members of the Management Board, employees, creditors, depositors, other customers and counterparties;
- setting rules and procedures that ensure compliance with the professional ethics principles;
- setting the procedure and control over the disclosure of information about the Bank.

Registered Capital. Shareholders

Registered capital of the Bank is UAH 510,392,935.00.

Registered capital of the Bank is divided into 48,173 ordinary registered shares, which is the 100% of their total number, with a nominal value of UAH 10,595,00 each.

The shares exist in electronic format.

As at January 01, 2023, the Bank's shareholders included 8 legal entities and 3 individuals. Shareholders - Legal entities own 78.1641% of the Bank's registered capital, while shareholders-individuals own 21.8359% of the Bank's registered capital.

| Name of the Bank's shareholder | % in the Bank's registered capital |
|---------------------------------------|---|
| "Monier" Industrial Group LLC | 43.0718 |
| VISTAKI VENTURES LIMITED | 9.9018 |
| Ivan Gennadiyovych Fursin | 14.8984 |
| "EAST-WEST FINANCE" LLC | 8.3034 |
| "EAST-WEST CAPITAL INVESTMENT" LLC | 6.1092 |
| Oleg Nikolaevich Titarenko | 5.9203 |
| Yuriy Yuriyovych Boyko | 1.0172 |
| "Ardex" LLC | 6.4642 |
| LLC "IC "FINLEX-INVEST" | 4.3053 |
| PJSC CB "Privatbank" | 0.0062 |
| PROSATO HOLDINGS LIMITED | 0.0021 |

As at COB 31.12.2023, the Bank's shareholders included 8 legal entities and 3 individuals. Shareholders - Legal entities own 76.4% of the Bank's registered capital, while shareholders-individuals own 23.6% of the Bank's registered capital.

| Name of the Bank's shareholder | % in the Bank's registered capital |
|---------------------------------------|---|
| "Monier" Industrial Group LLC | 43.0718 |
| VISTAKI VENTURES LIMITED | 9.9018 |
| Ivan Gennadiyovych Fursin | 6.8773 |
| "EAST-WEST FINANCE" LLC | 8.3034 |
| "EAST-WEST CAPITAL INVESTMENT" LLC | 6.1092 |
| Yuliia Volodymyrivna L'ovochkina | 5.9203 |
| Yuriy Yuriyovych Boyko | 1.0172 |
| "Ardex" LLC | 6.4642 |
| LLC "IC "FINLEX-INVEST" | 2.5408 |
| Igor Pavlovych Voronin | 9.7856 |
| PJSC CB "Privatbank" | 0.0062 |
| PROSATO HOLDINGS LIMITED | 0.0021 |

The ultimate beneficiary owners of the Bank's substantial interest as at December 31, 2023 are:

Yuliia Volodymyrivna L'ovochkina, who owns 63.4068% of the Bank's shares in aggregate, of which 5.9203% directly and 57.4865% indirectly;

Decision No. 154 of 23.03.2016 of the Committee of the National Bank of Ukraine on Supervision and Regulation of Banks, Supervision (oversight) of Payment Systems on Approval of Acquisition of Substantial Participation in the Bank.

Ivan Hennadiyovych Fursin, who owns 16.7791% of the Bank's shares in aggregate, of which 6.8773% directly, and 9.9018% indirectly.

Decision No. 153 of 23.03.2016 of the Committee of the National Bank of Ukraine on Supervision and Regulation of Banks, Supervision (oversight) of Payment Systems on Approval of Acquisition of Substantial Participation in the Bank. (By the Decision of the Committee on Supervision and Regulation of Banks, Supervision (Oversight) of Payment Systems of the National Bank of Ukraine No. 225 dated 10.06.2021 (as amended on 02.05.2022 No. 20/676-rk and No. 20/750-rk on 06.06.2022) the voting right of the Bank's shares,

collectively owned by I. Fursin, are temporarily transferred to the trustee Stanislav Shlapak, until the violation is eliminated).

There are no other restrictions on the rights of participation and voting of shareholders at the general meeting of shareholders.

List of persons who directly or indirectly own a significant stake in the issuer include:

Igor Pavlovych Voronin has 9.7856% of a direct participation in the Bank;

"ARDEX" Limited Liability Company, EDRPOU 31202499, has 6.4642% of a direct participation in the Bank.

Management and control bodies of the Bank are as follows:

- General Meeting of Shareholders;
- Supervisory Board;
- Committees of the Supervisory Board;
- Audit Committee;
- Nomination and Remuneration Committee.

Control units of the Bank are as follows:

- Internal Audit Unit;
- Risk Management Department;
- Compliance Service.

The Management Board of the Bank consists of:

- Committees of the Management Board:
- Credit Committee;
- Tariff Committee;
- Tender Committee;
- Asset and Liability Management Committee;
- Operating Committee;
- Financial Monitoring Committee;
- Distressed Assets Management Committee
- Disciplinary Committee.

General Meeting of Shareholders

The supreme governing body of the Bank is the General Meeting of Shareholders of the Bank.

The General Meeting of Shareholders carries out general management of the Bank's activities, determines the goal and strategy of the Bank's development.

The exclusive competence of the General Meeting of Shareholders of the Bank includes making decisions on:

- 1) determining the main activities of the Bank and approval of their implementation reports;
- 2) amending the Bank's Charter, except for cases specified in the Law of Ukraine "On Joint Stock Companies";
- 3) cancellation of the purchased shares;
- 4) changes in the type of joint-stock company;
- 5) issue of the Bank's shares and issue of securities that can be converted into shares;
- 6) increasing the Bank's registered capital;
- 7) reducing the Bank's registered capital;
- 8) splitting or consolidating the Bank's shares;

- 9) approving the provisions on the General Meeting of Shareholders, the Supervisory Board of the Bank, remuneration of the Supervisory Board members and amendments thereto;
- 10) reviewing the report of the Supervisory Board and making decision based on the results of the review;
- 11) review of the audit report findings drawn up by the audit entity and approval of measures based on the results of the review;
- 12) approving the results of financial and economic activities of the Bank for the relevant year and allocation of profit and approval of the procedure for covering losses of the Bank;
- 13) redemption by the Bank of its shares placed;
- 14) payment and approval of the annual dividends, taking into account the requirements of the legislation of Ukraine, and the methods of their payment;
- 15) election of the Chairman and members of the Supervisory Board, approval of the terms of civil law or employment contracts concluded with them, establishing their remuneration amount, including incentive and compensation payments, election of a person authorized to sign contracts with members of the Supervisory Board of the Bank, approving the report on remuneration of the Supervisory Board members of the Bank;
- 16) termination of the Bank's Chairman and members of the Supervisory Board authority;
- 17) allocation and termination of the Bank, liquidation of the Bank, the election of a liquidation commission, the approval of the procedure and terms of liquidation, the procedure for the distribution of property between shareholders remaining after the satisfaction of creditors' claims, and the approval of the liquidation balance sheet;
- 18) approval of the Corporate Governance Principles (Code) of the Bank;
- 19) on the commission of a significant transaction or an interested party transaction in cases specified by applicable law;
- 20) making a decision on non-use of the pre-emptive right by shareholders to purchase additional issue shares of the Bank in the process of their placement;
- 21) election of the Chairman and members of the Counting Committee of the General Meeting of Shareholders;
- 22) other matters falling within the exclusive competence of the General Meeting in accordance with the law.

The authority to resolve issues within the exclusive competence of the General Meeting cannot be transferred to other bodies of the Bank.

In 2023, there were two General Meeting of Shareholders, upon the call of the Supervisory Board of the Bank, held remotely in accordance with the Decision of the NSSMC No. 236 of 06.03.2023. Venue of the meetings: through the depository system; location of summing up by the counting and registration commission and drawing up Protocols after receiving documents from PJSC "NDU": 5-A, Borysohlebtska St., Kyiv.

- On 31.05.2023, annual General Meeting of Shareholders held remotely upon the call of the Supervisory Board, adopted on the following decisions:

1. Approved the annual report of JSB "CLEARING HOUSE" for 2022 and distribution of profit/loss for 2022.
2. Reviewed the report and the external auditor opinion on the results of JSB "CLEARING HOUSE" operation in 2022 and measures to be taken based on the audit firm findings.
3. Reviewed the report of the Supervisory Board of JSB "CLEARING HOUSE" for 2022. Made decision on the review results.
4. Approved the report on remuneration of members of the Supervisory Board of JSB "CLEARING HOUSE" for 2022.

5. Approved draft amendments to the regulation on remuneration of members of the Supervisory Board of JSB "CLEARING HOUSE".
 6. Approved draft amendments to civil contracts with members of the Supervisory Board of JSB "CLEARING HOUSE".
- On 30.11.2023, General Meeting of Shareholders held remotely upon the call of the Supervisory Board, adopted on the following decisions:
- On amendments to the Charter of JSB "CLEARING HOUSE" and its approval in a new edition.
1. On amendments to the Regulation on the General Meeting of JSB "CLEARING HOUSE" and approval of the new version of the Regulation on the General Meeting of JSB "CLEARING HOUSE".
 2. On amendments to the Regulation on the Supervisory Board of JSB "CLEARING HOUSE" and approval of the new version of the Regulation on the Supervisory Board of JSB "CLEARING HOUSE".
 3. On amendments to the Corporate Governance Code of JSB "CLEARING HOUSE" and approval of the Corporate Governance Code of JSB "CLEARING HOUSE" in the new edition.

The Supervisory Board

The Supervisory Board of the Bank is the body controlling the activities of the Management Board of the Bank, it protects the rights of depositors, other creditors and shareholders of the Bank. The Supervisory Board does not participate in the current management of the Bank.

The Supervisory Board of the Bank takes measures to prevent conflicts of interest in the Bank and facilitates their settlement. The Supervisory Board informs the National Bank of Ukraine about conflicts of interest arising in the Bank, and also ensures the maintenance of effective relations with the National Bank of Ukraine.

In accordance with the decision of the General Meeting of Shareholders of 28.04.2021 No. 43, the Supervisory Board of JSB "CLEARING HOUSE" was elected for a period of 3 years and comprises:

Chairman of the Supervisory Board:

- Viktor Valeriiovych Vorobiov - representative of the shareholder "INDUSTRIAL GROUP MONIER" LLC
- Members of the Supervisory Board:
- Iryna Petrivna Kolieda – representative of the shareholder "INDUSTRIAL GROUP MONIER" LLC;
- Oleksandr Viktorovych Kyrychenko- independent member of the Supervisory Board;
- Hanna Timofiiivna Karcheva - independent member of the Supervisory Board;
- Nadiia Pavlivna Stadnyk - independent member of the Supervisory Board.

The Supervisory Board competences include:

- 1) approval and control over implementation of the Bank's strategy, business plan, plans for restoration of the Bank's activities, financing the Bank in crisis situations, ensuring the going concern of the Bank;
- 2) ensuring the organization of effective corporate governance in accordance with the corporate governance principles (code) approved by the General Meeting of the Bank;
- 3) approval and control over implementation of the Bank's budget, including financial of risk management, compliance and internal audit departments;
- 4) approval and control over implementation of the strategy and operational plan for managing the Bank's Distressed assets;

- 5) ensuring the functioning and control over the effectiveness of a comprehensive and adequate internal control system of the Bank, including risk management system, internal audit;
- 6) approval and control over compliance with risk management strategies and policies, risk exposure declaration, list of limits (restrictions) on the Bank's risks;
- 7) approval and control over compliance with the code of conduct (ethics), the policy of preventing, identifying and managing conflicts of interest in the Bank;
- 8) implementation and control over the function of confidential notification mechanism for unacceptable behaviour in the Bank and response to such notifications;
- 9) determining the sources of capitalization and other financing of the Bank;
- 10) determining the Bank's credit policy;
- 11) approval of the organizational structure of the Bank, as well as the structure of risk management, compliance control, internal audit departments;
- 12) approval of internal regulations on the Management Board of the Bank, on the Supervisory Board of the Bank committees, on structural units for risk management, compliance control, internal audit, on other structural units directly subordinated to the Supervisory Board of the Bank, which, in particular, should include the reporting procedure to the Supervisory Board of the Bank;
- 13) appointment and termination of the Chairman and members of the Management Board of the Bank mandates, appointment and dismissal of the Chief Risk Manager, Chief Compliance Manager, Head of Internal Audit and Corporate Secretary;
- 14) control over the activities of the Bank's Management Board, risk management units, compliance control, internal audit and making recommendations for their improvement;
- 15) annual assessment of the Bank's Management Board performance in general and each member of the Bank's Management Board in particular, risk management units, control over compliance, internal audit, assessment of members of the Management Board of the Bank, including: Chief Risk Manager, Chief Compliance Manager, the Head of the Internal Audit Department for compliance with qualification requirements, assessment of the collective suitability of the Management Board of the Bank for the size of the Bank, the complexity, volume, types, nature of the Bank's operations, organizational structure and risk profile of the Bank, taking into account the specifics of the Bank's activities as a systemically important (if the status is applicable) and/or the activities of the banking group, which includes the Bank; as well as taking measures to improve the mechanisms of the Bank's Management Board and risk management units, monitor the compliance, internal audit based by the results of such assessment;
- 16) determining the work procedure and work plans of the Internal Audit Service;
- 17) selecting an audit firm for conducting an external audit, including for conducting an annual audit of the financial statements, approving the terms of the contract concluded with the audit firm, establishing the fee for services;
- 18) reviewing the external audit findings and preparation of recommendations to the General Meeting of the Bank for making decisions on the external audit results;
- 19) control over the elimination of deficiencies identified by the National Bank of Ukraine and other public and management authorities that, within their competence, oversee the activities of the Bank, the Internal Audit Service and the audit firm based on the external audit results;
- 20) making decisions on the creation, reorganization and liquidation of legal entities, the formation of branches and representative offices of the Bank in other countries, approving

- their charters and regulations, as well as regarding the Bank's participation of 10 percent or more in authorized capital of legal entities;
- 21) approval of the terms and conditions of employment agreements (contracts) concluded with the members of the Bank's Management Board, the Head and the employees of the Internal Audit Service, Chief Risk Manager, Chief Compliance Manager, establishing their remuneration amount;
 - 22) control over the timely publication of the reliable information regarding the Bank activities in accordance with the legislation of Ukraine, including regulatory and legal requirements of the National Bank of Ukraine;
 - 23) approval and control over the compliance with the procedure for related party transactions of the Bank, which, in particular, should contain requirements for identifying and controlling transactions with the Bank's related parties;
 - 24) determining the remuneration policy in the Bank in accordance with the requirements of the National Bank of Ukraine, as well as monitoring its implementation;
 - 25) annual assessment of the effectiveness of the Bank's Supervisory Board in general and each member of the Bank's Supervisory Board in particular, committees of the Bank's Supervisory Board, assessment of the collective suitability of the Bank's Supervisory Board with the Bank's size, the complexity, volumes, types, nature of the Bank's transactions, organizational structure and risk profile of the Bank, taking into account the specifics of the Bank's activities as systemically important (if the status is applicable) and/or activities of the banking group, which includes the Bank, as well as taking measures to improve the mechanisms of the Bank's Supervisory Board based on the assessment results;
 - 26) approval of internal regulations governing the Bank's operation, except for those that fall within the exclusive competence of the General Meeting of Shareholders;
 - 27) approval of the regulation and report on remuneration of the Management Board;
 - 28) preparing the General Meeting of Shareholders' agenda, decision-making on the date they are held and on including proposals in the agenda, except for calls for extraordinary General Meeting of Shareholders by shareholders;
 - 29) creating a temporary counting commission in case the General Meeting of Shareholders are called by the Supervisory Board of the Bank;
 - 30) approval of the form and text of the ballot paper;
 - 31) decision-making on holding regular and extraordinary General Meeting of Shareholders in accordance with the Charter and in cases established by applicable law;
 - 32) decision-making on placement of other securities by the Bank, except for shares;
 - 33) decision-making on repurchasing securities placed by the Bank other than shares;
 - 34) approval of the market value of the property in cases stipulated by the current legislation;
 - 35) review of the report of the Board and approval of measures based on the report results;
 - 36) election of the registration commission, except for cases established by law;
 - 37) determining the date of drawing up the list, persons entitled to receive dividends, the procedure and terms of payment of dividends within the limit period determined by law;
 - 38) determining the date of preparing the list of shareholders to be notified of the General Meeting of Shareholders in accordance with the law and entitled to participate in the General Meeting of Shareholders;
 - 39) resolving issues on the Bank's participation in groups and other associations;

- 40) resolving issues on the establishment, reorganization, and/or liquidation of separate divisions of the Bank, approval of their regulations;
- 41) resolution of issues referred by law to the competence of the Supervisory Board of the Bank during merger, acquisition, division, separation or transformation;
- 42) decision-making on significant transaction and an interested party transaction in accordance with the legislation and the Charter;
- 43) determination of the probability the Bank is recognized insolvent as a result of accepted liabilities or their fulfilment, including as a result of paid dividends or purchased shares;
- 44) decision-making on selecting the appraiser of the Bank's property, approving the terms of the underlying contract, establishing the fee for services;
- 45) decision-making on selection of a depository institution that provides the Bank with additional services and/or a clearing institution, approving the terms of the underlying contract, establishing the fee for its services;
- 46) sending an offer to shareholders in accordance with the legislation of Ukraine;
- 47) resolving other issues that fall within the exclusive competence of the Supervisory Board of the Bank in accordance with the current legislation and the Charter of the Bank.

Matters within the exclusive competence of the Supervisory Board of the Bank cannot be resolved by other bodies of the Bank, except in cases established by the legislation of Ukraine.

The Supervisory Board of the Bank is entitled to decide on raising any issue within its exclusive competence under the law or the Charter to the General Meeting.

The competence of the Supervisory Board also includes:

- appointment and dismissal of a responsible employee for internal financial monitoring of the Bank on the issues of preventing legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction in the manner prescribed by the regulatory and legal acts of the National Bank of Ukraine. The nominee of the Bank is agreed by the National Bank of Ukraine;
- creating the Supervisory Board committees and approving the composition of their members; appointment and dismissal of the Corporate Secretary.
- deciding on the maximum number of employees of the Bank and the size of the wage fund;
- appointment of a registration commission, a temporary counting commission and a secretary to the General Meeting of Shareholders called by the Supervisory Board;
- authorizing the relevant person to chair the General Meeting of Shareholders;
- developing the terms of the agreement on merger (acquisition) or plan of division (separation, transformation) of the Bank and approval of its project;
- preparing an explanation for the shareholders of the terms of the merger agreement or the plan for dividing (separating, transforming) the Bank and approving their project;
- approving the draft charter of the Bank created as a result of the merger;
- exercising of other powers delegated by the General Meeting of Shareholders.

The Supervisory Board of the Bank may create committees from among its members for preliminary study and prepare issues within the competence of the Supervisory Board for consideration at the meeting, in particular, the Supervisory Board committees on appointment, remuneration, risks, audit, and other committees. So, in 2023, two committees were created: the Audit Committee and the Nomination and Remuneration Committee.

In 2023, the Supervisory Board held 86 meetings, of which: 25 were face-to face; 5 were remote and 56 meetings were in absentia.

At the meetings, the Supervisory Board:

- reviewed the Independent auditor's report of "PKF UKRAINE" LLC on the audit of the financial statements and the Management Report of JOINT STOCK COMPANY "BANK "CLEARING HOUSE" for 2022 and provided recommendations to the General Meeting of Shareholders of JSB "CLEARING HOUSE" to make a decision on the findings drawn by the external auditor;
- reviewed and approved the updated list of limits (restrictions) on significant risks of the Bank;
- reviewed and approved amendments to the Procedure for related party transactions with JSB "CLEARING HOUSE";
- reviewed and approved the Severodonetsk branch and the Boryspil branch suspension as a result of a martial law introduced in Ukraine;
- reviewed and approved the Bank's Budget for 2024;
- reviewed and approved the "IT and Information Security Development Strategy for 2023-2024";
- reviewed and approved reports on remuneration of the JSB "CLEARING HOUSE" Management Board members for 2021 and 2022;
- considered candidates and elected the Corporate Secretary of JSB "CLEARING HOUSE", approved the Regulation on the Corporate Secretary and the job description;
- approved amendments to the Bank's Budget for 2023;
- reviewed and approved the composition of the Committees of the Supervisory Board and the Regulations on the Committees;
- considered the issue of removing and assigning the duties of the Chief Compliance Manager;
- approved the new Organizational structure of the Bank;
- approved the Plan of implementation of recommendations provided based on the results of SREP assessment of JSB "CLEARING HOUSE", amendments to the Plan and reports on the the Plan implementation;
- approved the Report "Results of JSB "CLEARING HOUSE" for 2022 and quarters of 2023;
- reviewed and approved a new version of the Risk Exposure Declaration of JSB "CLEARING HOUSE";
- reviewed and approved a new version of the Comprehensive Plan for ensuring operation as a going concern and action plan for emergencies in JSB "CLEARING HOUSE";
- approved a new version of the Risk Exposure Declaration of JSB CLEARING HOUSE, amendments thereto and to the Crisis Financing Plan of JSB "CLEARING HOUSE";
- considered the Report on implementation of the audit plan by the Internal Audit of JSB "CLEARING HOUSE" for 2022;
- approved the audit plan of the Internal Audit Service for 2023;
- reviewed and approved the calculation of Internal Audit resources for 2023;
- reviewed and approved the Long-term audit plan of the Internal Audit Service of JSB "CLEARING HOUSE" for 2023 - 2026 2026;
- reviewed and approved amendments to the "Action Plan for Implementation of Recommendations and Implementation of Compensatory Measures Defined in the Inspection Report of JSB "CLEARING HOUSE" by the National Bank of Ukraine in 2019";
- reviewed and approved the report on the assessment of compliance of the Chairman and members of the Supervisory Board of JSB "CLEARING HOUSE" with the qualification

- requirements, of the independent directors - with the independence requirements for 2023; the Report on assessment of compliance of the Chairman, members of the Management Board (including the employee responsible for financial monitoring), Chief Accountant and Deputy Chief Accountant of JSB "CLEARING HOUSE" with the qualification requirements for 2023; the report on assessment of compliance of the Head of Internal Audit Service, Head of Risk Management Department, Head of Compliance Service of JSB "CLEARING HOUSE" with qualification requirements for 2023;
- dealt with updating existing and approving new regulatory documents of the Bank in accordance with the competencies of the Supervisory Board;
 - reviewed and approved reports on the Bank's performance and budget execution in 2022;
 - reviewed the reports of the Internal Audit Service of the Bank;
 - reviewed the compliance risk assessment reports;
 - reviewed the internal control system monitoring reports;
 - reviewed the reports on risk monitoring of the Bank's activities were reviewed;
 - considered risk profile assessment reports and risk of appetite indicators of JSB "CLEARING HOUSE" in relation to prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of mass destruction weapons;
 - considered reports on implementation of the Operational Plan for the Management of Distressed Assets for 2020-2023.
 - reviewed and approved the Regulation on the Bank's Divisions;
 - considered issues related to paying bonuses to the Members of the Management Board, Compliance, Risk Management, Financial Monitoring and Internal Audit Services of the Bank;
 - approved the Work Plan of the Supervisory Board for 2024;
 - established Committees of the Supervisory Board: the Audit Committee and the Nomination and Remuneration Committee, as well as these Committees' members;
 - reviewed and approved the updated existing and approved new internal regulatory documents of the Bank relating to the competence of the Supervisory Board and the Supervisory Board Committees;
 - approved the call for the General Meeting of Shareholders (regular and extraordinary) and the agenda of the regular General Meeting of Shareholders, the form and texts of bulletins, and draft decisions on the agenda issues of the General Meeting of Shareholders; and a decision was made on other issues of the Bank's activities;
 - considered other issues.

According to the Supervisory Board decision No. 12 of 28.02.2023, the composition of the Committees of the Supervisory Board was elected:

Audit Committee

Head of the Audit Committee: Oleksandr Viktorovych Kyrychenko

Committee members: Victor Valeriiovych Vorobiov, Hanna Timofiivna Karcheva

The Audit Committee competences include:

- monitoring the integrity of financial information provided by the company, in particular, reviewing the compliance and consistency of accounting methods used by the company and legal entities under the control of the company;

- reviewing the effectiveness of internal audit and risk management systems at least once a year;
- providing the Supervisory Board with recommendations on the selection, appointment, reassignment and dismissal of the Internal Auditor (Head of the Internal Audit Service) and the Head of the Budget Department or another unit which competence includes budgeting;
- drafting the budget of the Supervisory Board of the company and submitting it for approval;
- other issues stipulated by the law, the charter of the joint-stock company or the regulation on the committee.
- in relation to the external subject of audit activities engaged by the company:
 - 1) providing recommendations to shareholders, the Supervisory Board on selection, appointment, reappointment and dismissal of an external subject of audit activities and the underlying contractual terms;
 - 2) assessment of the independence of audit entities that provide statutory audit services;
 - 3) providing the Supervisory Board with recommendations on the establishment and application of a formal definition of policy, types of services that are not subject to audit and which are excluded or permissible after verification by the committee or permissible without the recommendation of the committee;
 - 4) reviewing the effectiveness of the external audit process and the speed of management's response to recommendations provided by the external auditing entity in writing;
 - 5) studying the circumstances that may be the basis for the termination of the contract with an external subject of audit activity, providing recommendations on the actions to be taken by the company in case such circumstances would exist;
 - 6) other issues stipulated by the law, the charter of the joint-stock company or the regulation on the committee.

In 2023, the Audit Committee of the Supervisory Board held 10 meetings.

At the meetings, the Audit Committee:

- reviewed the Internal Audit Reports;
- reviewed the Independent Auditor's Report of "PKF UKRAINE" LLC on the audit of the financial statements of JSB "CLEARING HOUSE", the Management Report for 2022 and the additional Report for the Audit Committee of the Supervisory Board on the results of the audit of the financial statements;
- selected Secretary of the Audit Committee;
- reviewed the Report on the assessment of the effectiveness of the Bank's internal control system in 2022 by the Internal Audit Service of JSB "CLEARING HOUSE";
- reviewed the Report of the Internal Audit Service on compliance with the requirements of the "Program for ensuring and improving the quality of internal audit of JSB "CLEARING HOUSE";
- reviewed the Report on the work of the Internal Audit Service of JSB "CLEARING HOUSE" was considered.
- reviewed the Regulations on the procedure for conducting a tender for selection of audit entities for providing statutory audit services for the financial statements of JSB "CLEARING HOUSE";
- reviewed the Reports of the Internal Audit Service on the status of implementation recommendations (proposals) based on the results of internal audit, which were provided

- during the audit in the previous period by the Management Board of the Bank and the heads of structural divisions of the Bank;
- reviewed amendments to internal documents on internal audit;
 - reviewed Indicators/criteria for the evaluation of proposals received in response to the Tender for selection of an external auditor for providing statutory audit of the financial statements of JSB "CLEARING HOUSE";
 - reviewed the competitive proposals submitted by the audit entities to the announced by JSB "CLEARING HOUSE" Tender for selection of audit entities for providing statutory audit of the financial statements of JSB "CLEARING HOUSE";
 - reviewed the draft and terms of the contract with the audit firm "RSM UKRAINE" LLC.

Nomination and Remuneration Committee

Head of the Committee: Nadiia Pavlivna Stadnyk

Committee members: Irina Petrivna Kolieda, Hanna Tymofiivna Karcheva

Nomination and Remuneration Committee competences include:

- development and periodic review of the joint-stock company's policy (internal regulation) on appointments;
- determination and recommendation for the Supervisory Board approval of candidates for vacant positions in the executive body, and other vacant positions in cases stipulated by the Charter or internal documents of the Bank;
- periodic assessment of the structure, size, composition and work of the executive body and providing recommendations to the Supervisory Board on any changes;
- periodic assessment of the executive body members for their compliance with qualification requirements and reporting this issue to the Supervisory Board of the company;
- providing the Supervisory Board with recommendations on the personal composition of each of its committees, as well as periodic rotation of the Supervisory Board members between committees;
- development and provision for the Supervisory Board approval of the rules (code) of ethical conduct of officials of the joint-stock company, which, in particular, regulate the issues of conflict of interest, confidentiality, honest business, protection and proper use of the company's assets, compliance with the requirements of the law and internal regulations, as well as the need to provide the Supervisory Board with information about any known violations of the requirements of the law or ethical standards;
- preliminary submission of proposals and approval of the appointments of company officials, which fall within the competence of the Supervisory Board, approval on the proposal of the Chairman of the Management Board of the appointment of persons performing managerial functions, in accordance with the law or the Charter;
- development and periodic review of the remuneration policy (internal regulation);
- providing the Supervisory Board with proposals for remuneration of the executive body members. Such offers relate to all forms of remuneration, including fixed remuneration, performance remuneration (variable remuneration), supplementary pension allowance or early retirement and retirement compensation schemes;

- providing the Supervisory Board with proposals for individual remuneration provided to the executive body member, ensuring its compatibility with the remuneration policy adopted by the company and its compliance with the work assessment of this member;
- providing the executive body of the company with general recommendations on the level and structure of remuneration for persons performing managerial functions;
- other issues stipulated by the law or the charter of the joint-stock company, or the regulation on the committee.

In 2023, the Nomination and Remuneration Committee held 9 meetings.

On these meetings, the Nomination and Remuneration Committee:

- considered the candidacy and elected T.O. Metelitsa for the position of the Corporate Secretary of JSB "CLEARING HOUSE"
- reviewed amendments to the Regulation on Remuneration of Members of the Supervisory Board of JSB "CLEARING HOUSE".
- considered the issue of fulfilling the duties of the Chief Compliance Manager.
- Approved the changes to the staff list of the Compliance Service;
- Reviewed and approved: Report on assessment of compliance of the Chairman and members of the Supervisory Board of JSB "CLEARING HOUSE" with qualification requirements, of independent directors' compliance with independence requirements for 2023; Report on assessment of compliance of the Chairman, members of the Management Board (including the employee responsible for financial monitoring), Chief Accountant and Deputy Chief Accountant of JSB "CLEARING HOUSE" with qualification requirements for 2023; Report on assessment of compliance of the Head of Internal Audit Service, Head of Risk Management Department (Chief Risk Manager), Head of Compliance Service of JSB "CLEARING HOUSE" (Chief Compliance Manager) with qualification requirements for 2023.
- approved of the staff list of Members of the Management Board, Compliance Service, Risk Management, Financial Monitoring Service, Internal Audit Service and Corporate Secretary from 01.01.2024.
- considered other issues.

The Report of the Supervisory Board has been prepared and will be approved by the General Meeting of Shareholders on 29.04.2024.

The Corporate Secretary

By the decision of the Supervisory Board of the Bank No. 24 of 21.04.2023, the candidacy of T. O. Metelitsa for the position of Corporate Secretary of JSB "CLEARING HOUSE" was considered and approved.

The internal Regulations on the Corporate Secretary and the job description of the Corporate Secretary were approved by the Decision of the Supervisory Board No. 49 of 14.07.2023.

The Corporate Secretary Activity Report

From 21.04.2023 to 31.12.2023, the Corporate Secretary performed the following activities:

- interaction with shareholders and stakeholders of the Bank, including on implementation of their rights and obligations;

- interaction and providing information to shareholders and/or investors, other interested parties about the Bank's operation;
- functions of the Chairman of the Counting Commission at the regular and extraordinary general meetings of the Bank's shareholders;
- ensuring preparation, holding the General Meeting of Shareholders, performing the functions of Secretary of the General Meeting and drawing up the minutes of the General Meeting of Shareholders;
- control over the timely publishing the issuer's disclosing information on the Bank's website and sending it to the NSSMC;
- participating in the Supervisory Board meetings, committees of the Supervisory Board, acting as Secretary of the Supervisory Board;
- organization of interaction with shareholders and participants of the Bank's ownership structure in matters of ensuring transparency of the Bank's ownership structure;
- performance of other functions provided by the Charter and internal documents.

The Bank does not use the services of a corporate governance advisor.

The Management Board

The Management Board manages the current activities of the Bank, the formation of funds and ensures the accumulation of fixed assets necessary for the statutory activities of the Bank, is responsible for the effectiveness of the Bank in accordance with the principles and procedure established by the Bank's Charter, decisions of the General Meeting of Shareholders of the Bank, the Supervisory Board of the Bank.

The Management Board shall consist of at least five (5) members. The composition of the Management Board shall be approved by the Supervisory Board of the Bank upon the proposal of the Chairman of the Management Board.

As at 01.01.2024, the Management Board of the Bank comprises:

- Victoria Oleksandrivna Andreievskaya – the Chairman of the Board;
- Natalia Heorgiivna Bryzhnik – the Deputy Chairman of the Board;
- Mykola Ivanovych Onishchenko - the Deputy Chairman of the Board;
- Lyudmyla Leonidivna Melenchuk - the Deputy Chairman of the Board;
- Oleksandra Oleksiivna Markina - the Chief Accountant;
- Pavlo Yevhenovych Bassak - the Member of the Management Board - the Head of the Financial Monitoring Service.

As of January 01, 2024, Bank officials do not own shares of JSB "CLEARING HOUSE".

The Management Board of the Bank reports to the General Meeting of Shareholders, the Supervisory Board of the Bank and organizes implementation of their decisions. The Management Board acts on the basis of the Bank's Charter and the Regulation on the Management Board.

The Bank's Management Board takes measures to implement the requirements of the Procedure for Transactions with Related Parties in JSB "CLEARING HOUSE" approved by the Bank's Supervisory Board.

The Management Board of the Bank solves all issues of the Bank's current activities except for those that fall within the exclusive competence of the General Meeting of Shareholders and the Supervisory Board of the Bank, including:

- 1) ensures preparation of the Bank's draft budget, strategy and business plan of the Bank's development for approval by the Supervisory Board of the Bank;
- 2) implements the Bank's development strategy and business plan;
- 3) determines the form and establishes procedure for monitoring the Bank's activities;
- 4) implements the risk management strategy and policy approved by the Supervisory Board of the Bank, ensures implementation of the procedures for identifying, assessing, controlling and monitoring risks;
- 5) forms the organizational structure of the Bank determined by the Supervisory Board of the Bank, recruits and trains personnel, manages the work of structural and separate divisions of the Bank;
- 6) develops provisions regulating the activities of structural and separate divisions of the Bank in accordance with the Bank's development strategy;
- 7) ensures the security of the Bank's information systems and systems used to store customer assets;
- 8) informs the Supervisory Board about the performance of the Bank, revealed violations of the law, internal regulations of the Bank and about any deterioration of the Bank's financial position or the threat for such deterioration, the level of risks arising in the course of the Bank's activities;
- 9) carries out the Bank's operations, concluding interbank and other agreements provided for by the Charter of the Bank, a banking license, a general license for carrying out foreign exchange operations of the National Bank of Ukraine, accounting, reporting and organization of internal control;
- 10) implements decisions of the General Meeting of Shareholders, the Supervisory Board of the Bank, own decisions, orders, etc.;
- 11) ensures the Bank employees' compliance with the requirements of the current legislation, regulatory and legal acts of the National Bank of Ukraine, the National Securities and Stock Market Commission of Ukraine;
- 12) approves the rules, programs, regulations, plans, instructions and any other internal regulations of the Bank, except for those that fall within the exclusive competence of the General Meeting and the Supervisory Board of the Bank.

The Chairman of the Management Board is elected by the Supervisory Board.

The Chairman of the Management Board may act on behalf of the Bank without a power of attorney, including representing the interests of the Bank, performing transactions on behalf of the Bank, which are not prohibited by the legislation of Ukraine, do not contradict the Charter of the Bank, are not within the competence of the General Meeting of Shareholders of the Bank and the competence of the Supervisory Board of the Bank, issue orders and instructions binding on all employees of the Bank, issue power of attorney to other persons who, in accordance with the law, may act as the Bank representatives.

The Chairman of the Management Board organizes the work of the Management Board, ensures drawing up minutes of the Management Board meetings.

The Chairman of the Management Board of the Bank has the right to participate in meetings of the Supervisory Board of the Bank with an advisory vote.

The Management Board creates permanent committees for the risk management purposes, in particular, the Credit Committee, the Asset and Liability Management Committee and other committees.

In 2023, the Management Board held 199 meetings. All meetings were held distantly.

At the meetings, the Management Board:

- reviewed the Report "Performance Results of JSB "CLEARING HOUSE" for 2022";
- Bank's results for 2022;
- controlled for the results of the Bank's activities and implementation of the Budget in 2022;
- reviewed the Budget of the Bank for 2024;
- reviewed amendments to the Bank's Budget for 2023;
- approved changes to credit and deposit products for individuals and legal entities;
- approved the limits for JSB "CLEARING HOUSE" asset operations with counterparty banks;
- approved the composition of the Operational, Tender Committees of the Management Board of the Bank and the ISMS Working Group;
- reviewed the quarterly results of actual values of key performance indicators and target indicators of the next period;
- considered allocation of funds from the approved Budget of the Bank for 2023 (general and administrative expenses of the "Sponsorship and Charity" group) to provide irrevocable financial assistance to "Bureviy" Charity Fund.
- reviewed the reports on the results of risk monitoring of the Bank's activities and on the results of monitoring the Bank's internal control system;
- reviewed reports of the Internal Audit Service on the verification of the directions of the Bank's activities and the status of implementation of recommendations based on the results of inspections;
- approved the list of related parties of the Bank;
- updated existing and approved new internal regulations of the Bank;
- introduced new Bank products and made changes to existing ones;
- approved job descriptions for the Bank's employees;
- updated existing and approved new internal regulations of the Bank relating to the competence of the Management Board;
- made decisions on other issues of the Bank's activities.

As at 01.01.2024, the Management Board created and operated the following committees:

- Credit Committee (held 166 meetings in total, all held distantly, the committee made decisions: regarding the lending terms for the Bank's customers; conditions for providing guarantees; credit revision; approval of credit risk calculation and approval and formation of allowances for expected credit losses; setting up limits for JSB "CLEARING HOUSE" asset operations with counterparty banks, etc.);
- Tariff Committee (held 24 meetings in total, all held distantly, the committee made decisions on the establishing, amending and updating tariff packages for banking services);
- Asset and Liability Management Committee (held 79 meetings in total, all held distantly. The Committee made decisions on approval of cash limits at cash desks and ATMs; approval of stable balance parts on current accounts of the Bank's customers; the Bank's transfer pricing rates, the recommended margin for asset operations and the recommended balance with the NBU correspondent account; purchase of government bonds nominated in UAH in the bank's securities portfolio; approval of Basic interest rates, premiums, discounts and bonuses for customer deposits;

review of the Reports on the results of stress testing and risk assessment of the Bank's activities; the issue of revising the limits on the maximum cumulative GAP coefficient for all strategic time periods, etc.);

- Tender Committee (held 9 meetings in total, 8 held distantly and 1 held face-to face. The Committee made decisions on electing service providers, renting places for ATMs, purchasing fuel for the Bank's cars, electing an insurance provider, purchasing an extension of software technical support, purchasing network equipment, purchasing a car, etc.);
- Operations Committee (held 21 meetings in total, all held distantly. The Committee made decisions on approval of internal regulatory documents within the competence of the Committee; setting limits on payment cards; reviewing the Incident Reports/significant external operational/IST and IS risk events; making a decision on the status of paid improvements in the Bank's systems, etc.);
- Distressed Assets Management Committee (held 15 meetings in total, all held distantly. The Committee made decisions on the settlement of overdue debts);
- Disciplinary Committee (no meetings were held in 2023);
- Financial Monitoring Committee (held 20 meetings in total, all held distantly, the Committee made decisions on the results of customer risks monitoring and analysing the risk assessment of the use of the Bank's services; on changes to the list of risky states; regarding the Bank's measures against customers under personal economic and other restrictive measures (sanctions); regarding the procedure of analysing the customer's financial transactions, etc.).

The report of the executive body (the Management Board Report) for 2023 is prepared and will be approved by the Supervisory Board by the end of April 2024.

Appointment and Dismissal of the Bank Officials

The election and termination of the powers of the Supervisory Board of the Bank members takes place by a decision of the General Meeting of Shareholders. In accordance with the requirements of the Law of Ukraine "On Joint Stock Companies", the election of the Supervisory Board members is carried out by cumulative voting, and the termination of powers and the election of members and the Chairman of the Management Board of the Bank is carried out by voting, in which the decision is considered adopted if it was voted by a simple majority of votes of shareholders who registered to participate in the General Meeting and own the shares voting on this issue.

The appointment and termination of powers/dismissal of other officials of the Bank, including the Chairman and members (including Vice-Chairmen) of the Management Board of the Bank, Chairmen of the Supervisory Board Committees, control bodies and the Corporate Secretary, is within the exclusive competence of the Supervisory Board of the Bank.

The procedure for appointment and dismissal of the Bank's officials is determined by the Bank's Charter, the Regulation on the Supervisory Board and the Regulation on the Management Board of the Bank and the Corporate Secretary.

The decision is made by a simple majority of votes of the Supervisory Board members, who participate in the meeting and have the voting right. In case of equal distribution of votes of the Supervisory Board members during decision-making, the vote of the Chairman of the Supervisory Board shall be decisive.

Internal Audit Unit

The Bank's Internal Audit unit is a permanent unit that is part of the Bank's internal control system. Professional training of the Head and employees of the Internal Audit unit must meet the requirements established by the National Bank of Ukraine.

The Internal Audit Service operates in accordance with the approved internal regulatory documents of the Bank. The Service reports twice a year to the NBU on the results of its work and annually to the Supervisory Board. According to the results of 2023, the work of the Internal Audit Service was recognized satisfactory.

In accordance with the Regulations on the organization of the risk management system in Ukrainian banks and banking groups, approved by Resolution of the Board of the National Bank of Ukraine dated June 11, 2018 No. 64, and to the Regulation on the organization of the internal control system in banks of Ukraine and banking groups, approved by Resolution of the Board of the National Bank of Ukraine dated July 02, 2019 No. 88 The Internal Audit Service of the Bank is the subject of the risk management system and the subject of the Bank's internal control system. When applying the three lines of defense model, the Internal Audit Service of the Bank is the third line, which ensures the verification and assessment of the effectiveness of the corporate governance organization in the Bank, the internal control system, the risk management system; carries out an independent assessment of the effectiveness of the first and second lines of protection and a general assessment of the effectiveness of the internal control system.

The Internal Audit unit, as the third line of defense, performs the following functions:

1) checks and evaluates the processes that ensure the activities of the bank, including those that carry potential risk and the implementation of which is ensured by attracting legal entities and individuals on a contractual basis (outsourcing);

2) assesses the effectiveness and adequacy of the organization of corporate governance in the bank, the internal control system, the processes of managing the bank, their compliance with the size of the bank, the complexity, volume, types, nature of operations carried out by the bank, the organizational structure and risk profile of the bank, the organization of the internal anti-money laundering/terrorist financing system, the money laundering/terrorist financing risk management system;

3) checks the processes of bank management, the process of assessing capital adequacy, liquidity adequacy, means of ensuring the safety of assets, taking into account the inherent risks of the bank;

4) checks the correctness and reliability of accounting, information, financial and other statements compiled by the bank, their completeness and timeliness of submission, including to the National Bank, public authorities and management, which oversee the activities of the bank within their authorities;

5) carries out an independent assessment of the control system implemented by the bank's management, in particular with regard to:

compliance by the bank's managers and employees that provide banking and other financial services with the requirements of the legislation of Ukraine, including regulatory and legal acts of the National Bank, and internal regulations of the bank, performance of professional duties and rules established by the bank's Charter and internal documents of the bank, including compliance and risk management;

identification and analysis of violations of the requirements of the current legislation of Ukraine, standards of professional activity, internal provisions that regulate the activities of the bank by bank employees;

timely elimination of deficiencies identified by the National Bank and other public authorities and management bodies that oversee the activities of the bank within their competences;

6) independently evaluates the reliability, efficiency and integrity of the management of information systems and processes of the bank (including the relevance, accuracy, completeness, accessibility, confidentiality and complexity of data);

7) checks the financial and economic activities of the bank;

8) assesses the effectiveness and sufficiency of the plan drawn up by the bank for the recovery of its activities (if it is available);

9) assesses the activities of risk management and compliance risk units, committees established by the bank (hereinafter referred to as profile committees) and the quality of risk reports provided to the Supervisory and the Management Board of the bank;

10) identifies and checks cases of abuse of authority by bank officials, as well as the emergence of a conflict of interest in the bank;

11) provides consulting services within the bank and, in the absence of a threat to independence, performs other functions related to the supervision of the bank's activities;

12) other functions provided by the legislation of Ukraine.

The Internal Audit Unit reports to the Supervisory Board of the Bank and acts on the basis of the regulation approved by the Supervisory Board.

Based on the audit results, the Internal Audit Service made recommendations to the management regarding the improvement of corporate governance, internal control systems, bank management processes, the organization of an internal anti-money laundering/terrorist financing system, and a money laundering/terrorist financing risk management system. Audit reports were provided to the Supervisory Board and the Management Board.

Internal Control System

Taking into account the recommendations of the Basel Committee on Banking Supervision, the requirements of regulatory acts of the National Bank of Ukraine, the Bank ensured there is a fully operational, comprehensive, effective and adequate system of internal control in place.

The internal control system is integrated into the Bank's corporate governance system by:

- creating an appropriate organizational structure;
- defining the powers, subordination, accountability, description and distribution of functional duties of persons involved in the internal control system operation, including their responsibility and interaction procedure in internal bank documents, regulations on collegial bodies, structural divisions of the Bank, etc.

The Bank's internal control system:

- consists of the following components: control environment; management of risks inherent of the Bank's activities, including compliance risk; control activities in the Bank; control over information flows and communications of the Bank; monitoring the effectiveness of the Bank's internal control system;
- ensures the operational, information, compliance goals of the Bank are achieved;
- is implemented at each of the Bank' organizational levels.

The Bank's internal control system is based on the distribution of responsibilities between the Bank's units, except for functions that fall within the exclusive competence of the Supervisory Board, the Management Board, the Bank's Committees in accordance with the provisions of the

legislation of Ukraine, regulatory and legal acts of the National Bank of Ukraine and internal regulatory documents of the Bank using the three lines of defense model, namely:

- the first line of defense is at the level of business units and units supporting the Bank's activities. These units initiate, carry out or reflect operations, accept risks in the course of their activities and bear responsibility for those risks, manage risks on ongoing basis and apply control measures within the competence of these units;
- the second line of defense is at the level of the Risk Management Department and the Compliance Service, the minimum requirements for the activities of which are established in the Regulation on the Organization of the Internal Control System in Banks of Ukraine and Banking Groups, approved by Resolution of the Board of the National Bank of Ukraine No. 88 dated 02.07.2019 and in the Regulation on the Organization of the Risk Management System in Banks of Ukraine and Banking Groups, approved by the Resolution of the Board of the National Bank of Ukraine of 11.06.2018. These units provide confidence to the Bank's managers that the risk control and management measures implemented by the first line of defense have been developed and are functioning properly;
- the third line of defense is at the level of the Internal Audit Service, which carries out an independent assessment of the effectiveness and adequacy of the risk management systems, internal control and activities of the Risk Management Department and the Compliance Service, taking into account the requirements established by the Regulation on the Organization of Internal Audit in Banks of Ukraine, approved by Resolution of the Board of the National Bank of Ukraine No. 311 of 10.05.2016.

The general strategy, principles and approaches to the organization and construction of the internal control system are determined by the Policy of the Internal Control System of JSB "CLEARING HOUSE", approved by the Minutes of the Supervisory Board meeting No. 68 dated 16.12.2019.

Risk Management System

Taking into account the recommendations of the Basel Committee on Banking Supervision, the requirements of regulatory acts of the National Bank of Ukraine, the Bank ensured the functioning of a comprehensive, effective risk management system, an adequate size of the Bank, a business model, the scale of activities, types, complexity of the Bank's operations, which ensures the identification, measurement (assessment), monitoring, reporting, control and mitigation of significant risks of the Bank.

The Bank performs a comprehensive assessment of a certain list of significant risks inherent of the Bank's activities: credit risk, liquidity risk, interest rate risk of the banking book, market risk, operational risk (including information risk) and compliance risk. When assessing all types of risks, the Bank takes into account the concentration risk.

The objectives of the risk management system are:

- identification and assessment of the materiality of risk types;
- risk level assessment, aggregation and forecasting;
- setting limits and limitations of risks;
- monitoring and control over the volume of the risk accepted; implementation of measures to reduce the risk in order to maintain its level within the established internal/external restrictions;
- implementation of mandatory standards and restrictions established by the regulator;

- assessment of the sufficiency of financial resources to cover significant risks inherent of the Bank's activities (including taking into account the implementation of stressful scenarios);
- implementation of strategic planning taking into account the level of risk accepted;
- informing the Supervisory Board of the Bank, the Management Board, committees and other collegial bodies established by the Management Board of the Bank, units performing risk management functions, about significant risks and capital adequacy of the Bank;
- development of risk culture and relevant risk management competencies.

Risk management is carried out on a centralized and decentralized basis.

Risk management policy is an integral part of the Bank's business planning and budgeting, and is aimed at:

- ensuring/maintaining an appropriate level of risk within the approved level of risk appetite and/or other limits and restrictions;
- ensuring capital adequacy to cover significant risks;
- ensuring the financial stability of the Bank, minimizing possible financial losses;
- ensuring efficient allocation of resources to optimize the risk/return ratio;
- ensuring going concern and planning for optimal management of the Bank's business taking into account possible stressful events;
- prevention of cases when the Bank's obligations to creditors and depositors are untimely and/or incompletely met;
- improving the risk management system taking into account legislative and regulatory acts, external and internal factors influencing the Bank's activities;
- optimizing the risk control process at all organizational levels, ensuring timely identification of all significant risks;
- risk assessment and taking measures to limit them;
- effective interaction of the Bank's divisions at all organizational levels in the risk management process and accumulating reserves to cover possible losses;
- compliance with the procedures and powers defined in the GNI when making decisions.

The organizational structure of the Bank is formed taking into account the need for segregation of functions, duties, powers and responsibilities between the Bank's units in accordance with "3 lines of defense" principle, while the Bank continuously exchanging/receiving/providing the necessary information from internal and external sources. This involves using the following mechanisms to support the Bank's risk management process:

- information, information-analytical and information-technological systems as a source of information and a means of its transmission;
- internal and external communications regarding risk management of the Bank;
- periodic reporting to the Supervisory Board, the Management Board, committees and other collegial bodies established by the Management Board in accordance with their powers regarding risks, performance and compliance with the risk management culture of the Bank.

The Bank's management, permanent committees and working groups regularly receive information about the level of risks accepted by the Bank and facts of violation of established risk management procedures, limits and restrictions.

The Bank maintains a certain "bottom-up" (from employees to managers) and "top-down" (from managers to employees) mechanism for exchanging/transferring information on risk management throughout the organizational structure of the Bank and assesses risks taking into account two main parameters: the probability of risk realization and the level of risk impact.

Quantitative and qualitative methods, risk assessment instruments are selected depending on the type of risk taking into account generally accepted international practice, while the Bank performs risk assessment on both, an individual and a group basis, taking into account the mutual impact of risks and their concentration.

Financial/Non-financial Risks Exposure

The Bank regularly monitors the level of exposure to risks and determines the risk appetite as the aggregate value for all types of risks and separately for each individual risk determined in advance and within the acceptable risk level and which the Bank decided to be reasonable to maintain in order to achieve its strategic goals and implement its business plan.

Significant risk factors affecting the activities of the financial institution during the year included:

- high concentration of major creditors' investments in the Bank's liabilities;
- the Bank's resource base is dominated by short-term client customer accounts;
- high rates of GDP decline;
- high inflation rates in the country;
- high growth of unemployment rates.

During the reporting period, the Bank complied with the prudential requirements of the National Bank of Ukraine, while violations of internal limits (restrictions) for quantifiable significant risks were not identified.

The Bank has a low aggregate risk appetite, which is confirmed by the results of assessment and stress testing in the context of significant risks inherent of the Bank's activities.

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

Decision of the Supervisory Board of the Bank dated 28.02.2023. No. 11 approved the Declaration of Risk Exposure of JSB "CLEARING HOUSE" (version 5.1, as amended according to the Decision of the Supervisory Board of the Bank dated 29.09. 2023. No. 56), which is an internal bank document that determines the total amount of risk appetite, the types of risks that the Bank accepts (or avoids) in order to achieve its business goals, and the level of risk appetite for each of them. The main purpose of establishing risk appetite is to ensure the continuous, sustainable functioning of the Bank in accordance with business goals in the long term, including in stressful situations.

The Bank defined the following key provisions of the Risk Exposure Declaration:

- the aggregate level of risk appetite and the types of risks that the Bank intends to accept and retain to achieve business goals;
- the maximum level of risk permissible for the Bank, based on the size of available resources (capital and liquidity needs) and taking into account the need to comply with the requirements of the NBU, obligations to investors, depositors, creditors and shareholders;
- quantitative and qualitative indicators of risk appetite;
- the level of risk appetite for each type of risk, as well as a minimum list of quantitative and qualitative indicators of risk appetite for each type of risk;
- calculation of risk appetite and the list of assumptions used by the Bank during such calculation;
- types of risks that the Bank should avoid;
- internal and external factors and restrictions affecting the Bank's risk acceptance.

Quantitative indicators of risk appetite in the context of each type of risk are directly translated into a system of risk limits. The Bank sets limits for managing various sources of risk concentration and limits for quantifiable risks in accordance with the approved risk appetite, including:

- credit risk;
- liquidity risk;
- interest rate risk of the banking book;
- market risk;
- operational risk;
- compliance risk

The Bank keeps risks at a level that is within the level of risk exposure (risk appetite) determined by the Bank, taking into account the need to comply with the requirements of the NBU, obligations to investors, depositors, creditors and shareholders, and does not pose a threat to the financial stability of the Bank.

Information on internal rules violations by the Supervisory Board and the Management Board members that caused damage to the Bank or the Bank's customers

There have been no identified facts of damage to the Bank or the Bank's clients caused by violation of internal rules by the Supervisory Board and the executive body of the Bank members.

Measures of Influence Applied by Public Authorities to the Bank, Including to Members of its Supervisory Board and Management Board during the Year

In 2023, the Bank experienced the following measures of influence applied for:

- violation of the requirements of subparagraph 1 of paragraph 126 of section XI, paragraph 144 of section XIII, Clause 31 of Paragraph 121 of Section X of the Regulation on Determination of Credit Risk on Active Banking Operations by Banks of Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine dated 30.06.2016 No. 351 in the form of a fine of UAH 153,117.88 according to the Decision of the Committee on Supervision and Regulation of Banks, Supervision (oversight) of Payment Systems of the National Bank of Ukraine dated 03.04.2023 No. 20/616-rk "On imposing a fine on JOINT STOCK COMPANY "BANK "CLEARING HOUSE";
- violation of the requirements of the first and second parts of Article 7 of the Law of Ukraine "On Prevention and Counteraction to Legalization (laundering) of Proceeds from Crime, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction" dated 06.12.2019 No. 361- IX in the form of a fine of UAH 50,000.00 according to the Decision of the Committee on Supervision and Regulation of Banks, Oversight of the Payment Infrastructure of the National Bank of Ukraine dated 03.04.2023 No. 20/619- рк/БТ "On imposing a fine on JOINT STOCK COMPANY "BANK "CLEARING HOUSE";
- violation of the requirements of paragraph 15 of the Resolution of the Board of the National Bank of Ukraine of 24.02.2022 No. 18 "On the Work of the Banking System during the Introduction of Martial Law" in the form of a written warning of the Committee on Supervision and Regulation of Banks, Oversight of the Payment Infrastructure of the National Bank of Ukraine of 05.06.2023 No. 24/1057-рк/БТ.
- violation of paragraph 49, subparagraph 49.18.2 of paragraph 49.18 of Article 49, Article 51, paragraph 70.16 of Article 70, subparagraph "b" of paragraph 176.2 of Article 176 of the Tax Code of Ukraine dated 02.12.2010 No. 2755- VI, as amended, Sections II IV "Procedure for filling in and submission by tax agents of the Tax calculation of the amount of income accrued (paid) in Favor of taxpayers - individuals, and the amounts of tax withheld from them, as well as the amounts of the accrued single contribution", approved by the Order of the Ministry of Finance of Ukraine of 13.01.2015 No. 4, as amended, in the form of penalty

(financial) sanction in the amount of UAH 1,020.00 according to the Tax Notification-Decision dated 20.12.2023 No. 08132624025;

- violation of paragraph 63.3 of Article 63, paragraph 69.2 of Article 69 of the Tax Code of Ukraine of 02.12.2010 No. 2755-VI as amended in the form of penalty (financial) sanction in the amount of UAH 22,440.00 according to the Tax Notification-Decision of 20.12.2023 No. 81276070801;
- violation of paragraph 134.1 of Article 134 of the Tax Code of Ukraine, paragraphs 12, 16 of IAS 16 "Property, Plant and Equipment," Chapter 5 of the Accounting Instructions for Fixed Assets and Intangible Assets of Banks of Ukraine, in the form of an increase in the amount of monetary liability for payment on the profit of banking institutions (11020600) in the amount of UAH 569,346.00 (UAH 455,47.00 of tax liabilities and penalty (financial) sanctions of UAH 113,869.00) according to the Tax Notification-Decision of 20.12.2023 No. 81273070801.

In 2023, no measures of influence were applied to the Members of the Supervisory Board and the Management Board of the Bank.

Protection of the Financial Services Consumers' Rights

In order to protect the rights of consumers of financial services, the Bank approved the Instruction on the Procedure for Consideration of Appeals and Personal Appointments for Customers of JSB "CLEARING HOUSE", which provides for the procedure for dealing with citizens' appeals.

Consideration and settlement of clients' appeals, giving responses based on the results of their consideration is performed by the Bank's structural unit, whose competence includes dealing with the issue raised.

The Bank has implemented a mechanism for confidential notification of unacceptable behavior, which is determined by the whistleblowing policy mechanism of JSB "CLEARING HOUSE", approved by the Minutes of the meeting of the Supervisory Board of JSB "CLEARING HOUSE" No. 43 dated June 29, 2021.

Appeals that contain reports of unacceptable behavior are considered by the Compliance Service with the involvement of the relevant departments of the Bank (if necessary).

The Bank perceives each appeal as an opportunity to improve its work, improve the quality of service and the level of customer satisfaction.

In 2023, the Bank did not receive customer complaints.

As of the end of 2023, there are no claims of the Bank's customers taken to the court regarding financial services provided by a financial institution.

The Bank strictly complies with the requirements of legislation on consumer rights protection, in particular, the Regulation on Providing Information to Customers regarding Banking and Other Financial Services by Banks, approved by Resolution of the Board of the National Bank of Ukraine dated November 28, 2019 No. 141 (as amended).

Other Information on the Management Bodies and Operation of the Bank

The total remuneration of the Management Board members paid by the Bank in 2023 is UAH 19,146,295.28 before tax. The number of recipients is 6 people. The form of payment is non-cash.

The total remuneration of the Supervisory Board members paid by the Bank in 2023 is UAH 5,239,091.00 before tax. Number of recipients: 6 people. The form of payment is non-cash.

In 2023, there are no facts of the members of the Supervisory Board and the Management Board of the Bank violation of internal rules that caused damage to the Bank or depositors or other creditors of the Bank, or the facts of application measures by the state authorities (in particular, the National Bank of Ukraine) to influence a financial institution for violation of the requirements of

banking legislation, legislation in the field of prevention and counteraction of legalization (laundering) of proceeds from crime, or financing of terrorism and financing of proliferation of weapons of mass destruction, regulations of the National Bank of Ukraine, or for carrying out risky activities that threaten the interests of depositors or other creditors of the Bank, and/or stability of the banking system, including members of the Supervisory Board and the Management Board of the Bank. In addition, there are no decisions of the committees or decisions of the Board of the National Bank of Ukraine regarding non-compliance of the members of the Supervisory Board and the Board of the Bank with the requirements for business reputation, and with respect to independent directors also/or the independence requirements, or other violations by the Bank's leaders, which are defined in Article 42 of the Law of Ukraine "On Banks and Banking."

Transactions with the Bank's related parties are disclosed in Note "Related Party Transactions" to the annual financial statements of JSB "CLEARING HOUSE" for 2023.

There were no facts of alienation and sale of assets during the year in the amount exceeding the amount established in the Bank's Charter.

There were no facts of conclusion of derivatives or transactions in relation to derivatives by the issuer for 2023.

There is no information on any restrictions on the participation and voting rights of shareholders (participants) at the general meeting of the issuer.

Information on Remuneration of the Executive Body and the Board Members

The Remuneration Report of the Supervisory Board Members and the Remuneration Report of the Management Board Members will be prepared and approved after preparation of the annual financial statements.

Disclosure and Transparency

The main provisions of the Bank's information disclosure policy are approved as part of the bank's Corporate Governance Code (Section 12).

The Bank timely discloses special information about the Bank as an issuer, publishes reliable statements and other significant, complete and reliable information about the activities of the Bank, in accordance with the requirements of the law.

In addition to special information, within the time limits established by the legislation of Ukraine, the Bank also discloses quarterly information and annual information, and other information, the disclosure of which is provided for by the current legislation. Information is disclosed by the Bank in a timely manner, that is, within the terms that ensure its effective use, as well as within the limits determined by law.

Information is considered material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions of its primary users.

Information is considered complete if it contains all data on the actual and potential consequences of operations and events that may affect decisions made on its basis.

Information that objectively reflects processes and events, promotes a clear and complete idea of the actual financial position of the Bank and the results of its activities, has no hidden or accidental errors that can lead to incorrect conclusions and unprofitable decisions is considered reliable.

The Bank ensures the annual audit of the financial statements by the audit entity, as well as the publication of its results and conclusions in accordance with the legislative and legal and regulatory acts of Ukraine.

In order to disclose information, the Bank uses the user-friendly means of information sharing that would provide users with equal, timely and cost effective access to information.

Additionally, within the time limits established by the legislation of Ukraine, the Bank publishes financial statements and notes, the list of which is determined by the National Bank of Ukraine, on the Bank's website.

The Bank takes measures to protect commercial and banking secrecy, ensures its storage and establishes an appropriate mode of operation with such information and its disclosure in cases established by law. The Bank may establish a list of such information taking into account the requirements of legislation on commercial and banking secrecy, observing the optimal balance between the openness of the Bank and the need to protect its own commercial interests, the interests of shareholders and customers of the Bank.

Information on Existence of Relationships with Risk-Baring Foreign Countries

The Bank confirms the information on:

- absence in the ownership structure of the Bank of founders, participants (shareholders), with less than 10 percent combined share in the Company's authorized capital and/or owners of significant participation who are legal entities registered under the legislation of the Russian Federation, the Republic of Belarus, and/or are citizens of the Russian Federation, the Republic of Belarus, except for those persons who:
 - are citizens of the Russian Federation, the Republic of Belarus, residing on the territory of Ukraine on legal grounds;
 - in accordance with the law, the decision of the National Bank of Ukraine, the National Securities and Stock Market Commission or other relevant state body, are deprived of the right to use corporate rights on shares/interests in the authorized capital of these legal entities in ownership of these persons;
- absence in the ownership structure of the Bank among the founders and/or participants (shareholders), indirect owners of substantial participation of the Company, those associated with the Russian Federation and the Republic of Belarus;
- the Company, which is not a legal entity, in respect of which/in favour of which, the participants in capital markets and organized commodity markets are forbidden to establish business relations/conclude transactions/carry out transactions in accordance with Clause 3. NSSMC decision No. 1053 dated 04.08.2022 (as amended).

External Auditor

Audit services for 2022 and until the conclusion of an agreement with another auditor were provided by an external auditor "PKF UKRAINE" LLC that was elected by the Supervisory Board of JSB "CLEARING HOUSE" (Minutes of the Supervisory Board No. 70 of 08.10.2021).

According to the decision of the Supervisory Board of JSB "CLEARING HOUSE" (Minutes of the Supervisory Board No. 60 of 11.10.2023), the external auditor that will provide audit services to the Bank is "RSM UKRAINE" LLC. "RSM UKRAINE" LLC provides the Bank with audit services for the first year.

The total audit experience of "RSM UKRAINE" LLC is more than 30 years.

"RSM UKRAINE" LLC is registered with the Register of Auditors and Audit Entities under Registration number 0084, including in the Section "Audit Entities Entitled to Perform Statutory Audit of Financial Statements" and in the Section "Audit Entities Entitled to Perform Statutory Audit of Financial Statements of Public Interest Companies".

During the reporting year, the audit firm did not provide any other audit services, except for the audit of the Bank's financial statements for 2023.

The auditors' rotation in a financial institution over the past five years has been carried out in accordance with the requirements of applicable law.

During the year, there were no penalties applied to the auditor by the Auditors' Chamber of Ukraine. There are no facts of submitting unreliable financial statements of a financial institution, confirmed by an auditor's report, identified by state regulatory bodies on the financial services markets.

There are no cases of conflict of interest and/or combination of functions of the internal auditor.

In recent years, there have been rotation of auditors that performed audit of the Bank's annual financial statements, as follows: for 2016-2022, audit services were provided by "PKF UKRAINE" LLC, for 2023, audit services are provided by "RSM UKRAINE" LLC.

Information from the subject of audit activities, taking into account the requirements of paragraph 45 of the decision of the National Securities and Stock Market Commission "Regulations on the disclosure of information by issuers, and entities providing provisions for such securities" No. 608 of June 06, 2023 (hereinafter - Decision 608):

Extract from the INDEPENDENT AUDITOR'S REPORT OF "RSM UKRAINE" LLC 18.04.2024 p.

In connection with preparation of the Corporate Governance Report by the Bank in accordance with the legislation requirements, we inform about the following:

-
- we reviewed the accuracy of the information provided in the Corporate Governance Report in accordance with paragraphs 1-4 of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" No. 3480-IV of February 23, 2006, and paragraphs 1-5 of Article 43 of Section II of the Decision 608;

- in our opinion, the information specified in paragraphs 5 - 9 of part three of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets," and the information specified in paragraphs 6-11 of Article 43 of Section II of the Decision 608, namely: the description of the main characteristics of the internal control and risk management systems of the Company; the list of the Company's structural units that assume key responsibilities to ensure the operation of internal control and risk management systems; the list of persons who directly or indirectly own a significant stake in the Company; information on the presence/absence of an approved risk exposure declaration of the Company, as well as the description of the key provisions of the Company's risk exposure declaration; information on any restrictions on the participation and voting rights of shareholders at the General Meeting of the Company; the procedure for appointment and dismissal of the Company's officers and the powers of the Company's officers given in the Corporate Governance Report do not contradict the information obtained by us during the audit of the Company's financial statements.

5. Economic Environment

During 2022-2023, the economy of Ukraine suffered the greatest losses, damages and destructions in the history of independence, caused by the Russian Federation that on February 24, 2022 scaled the hostilities started back in 2014 throughout the entire length of the common border and from the territory of Belarus and the occupied Crimea. A full-scale attack by Russia led to a sharp decline in economic activity in Ukraine. At the beginning of the war, a third of enterprises stopped operations. The reasons for this were physical destruction and temporary occupation of entire regions, a high level of uncertainty and risks, the severance of logistic and production ties, forced mass migration of the population.

In 2023, Ukraine's real GDP grew, according to various estimates, by 5-5.5%. This was a restorative growth after a precipitous 29.1% drop in 2022. Despite the recovery, GDP is still about a quarter smaller than in 2021. In the first quarter 2023, GDP was still falling but showed growth in the next three quarters of 2023. The Ukrainian economy is gradually recovering and showing positive dynamics.

Ukraine started the year 2023 with a record high level of inflation, accelerated due to the war and through the printing of hryvnia to cover military spending. However, during the year, inflation was calmed down: regular foreign aid inflows helped to stop monetary financing of the budget, and good yields contributed to lower food prices.

In January 2023, annual consumer inflation slowed to 26.0%. In March 2023, annual consumer inflation continued to slow down falling to 21.3% from 24.9% in February. In June 2023, annual (YoY) consumer inflation continued to slow down decreasing to 12.8% from 15.3% in May. In

September 2023, annual (YoY) consumer inflation slowed down further to 7.1% from 8.6% in August. In monthly terms, prices rose by 0.5%. In December 2023, inflation remained at the November level of 5.1% (YoY). In monthly terms, prices increased by 0,7%. These numbers are evidenced by data published by the State Statistics Service of Ukraine.

The rapid decline in inflation in 2023 was ensured by the NBU's measures to maintain exchange rate stability, which contributed to improving expectations, a moratorium on raising certain tariffs for utility services, a sufficient supply of food, and a decrease in world energy prices. Moderate inflation is expected to continue in 2024. To this end, the NBU will continue to pursue a policy aimed at maintaining the stability of the foreign exchange market. However, the risks of increased inflationary pressure in 2024 remain, primarily due to the impact of the war.

According to NBU forecasts published in the Inflation Report, inflation will moderately accelerate in 2024, but next year it will meet the NBU target range, falling to 5.8%, and in 2026 - to 5%. Economic recovery will continue, although it will slow down to 3.6% in 2024. In the next two years, GDP growth is expected to accelerate to 4-6% per year. This forecast is based on assumptions about a tangible reduction in high security risks from 2025 and the preservation of significant amounts of international support. An important NBU task will remain to be the protection of hryvnia instruments' attractiveness, i.e. maintaining a level of interest rates on hryvnia deposits that will protect hryvnia savings from inflation depreciation.

At the beginning of the full-scale war with Russia, the NBU kept the key policy rate at 10% per annum, and from June 2022 decided to increase immediately by 15 p. to 25%. From July 28, 2023, the Board of the National Bank decided to reduce the key policy rate from 25% to 22%. Taking into account the balance of risks, the rapid decline in inflation and the ability to maintain exchange rate stability, the NBU Board decided to reduce the key policy rate to 20% from September 15, 2023. From October 27, 2023, it was decided to set the key policy rate at 16%, equalizing it with the rate on overnight deposit certificates (DS). Thus, the National Bank modernizes its operational design of monetary policy according to the "lower limit" system. Taking into account the successful adaptation of market participants to the new exchange rate regime, further inflation reduction and improvement of inflation expectations, the Board of the National Bank decided to reduce the key policy rate from 16% to 15% from December 15, 2023. This will help to preserve the attractiveness of hryvnia savings instruments.

According to preliminary data, the international reserves of Ukraine as of January 1, 2024 amounted to USD 40.514 billion. In December 2023, they increased by 4.24% compared to November due to foreign currency inflows from international partners, which exceeded the net sales in foreign currency by the National Bank and the country's debt payments in foreign currency.

According to preliminary data, before the confirmation of the annual audit, net profit of solvent banks for 2023 amounted to UAH 86.5 billion. This result already takes into account the increase in the income tax rate to 50%. Operating profits of banks increased moderately: operating income for the year increased by 15% compared to the previous year, net operating profit before deductions to reserves - by 19%. The growth driver of the sector's revenues remains an increase in interest rate income from both highly liquid assets and lending.

The return on capital of the banking sector as of January 1, 2024 was 31.6%. A year ago, this figure was 9.7%.

As of January 01, 2024, according to annual figures, only 7 (mostly small banks) out of 63 solvent banks were unprofitable with a total loss of UAH 0,245 billion.

On September 8, 2023, Standard & Poor's affirmed Ukraine's long-term sovereign rating in foreign and national currencies at "CCC/CCC+" and Ukraine's short-term sovereign rating in foreign and national currencies at "C/C." Also, the rating of Ukraine on the national scale is confirmed at the level of "uaBB."

On December 8, 2023, Fitch Ratings affirmed the long-term foreign currency issuer default ratings (IDRs) at "CC" and national currency at "CCS-." Confirmed long-term foreign currency IDR at "CC" for Ukraine reflects Fitch's expectations for further commercial debt restructuring before the completion of the two-year suspension of Eurobond payments on September 1, 2024.

As a result of military aggression of the Russian Federation, part of the territories was occupied. Enterprises in other regions suffered significant losses due to the destruction and damage to capacities or simply faced interruptions in work and difficulties with the sale of products. In particular, exporters lost part of the proceeds due to limited shipping on the Black Sea. Enterprises that focus on the domestic market have suffered due to falling demand for their products, disruption of production processes and supply chains. Demand for goods and services has decreased, including due to the forced migration of millions of Ukrainians to neighboring countries. Yet Ukrainian businesses and Ukrainians have demonstrated an impressive ability to adapt to difficult conditions. Although the large-scale energy terror arranged by Russia at the end of the year caused additional losses to the Ukrainian economy, but it could not stop it.

Ukraine's economy is gradually recovering, primarily due to the recovery of losses caused by the full-scale Russian invasion. However, sustained and substantial economic growth is only possible through sustained productivity gains. This can be achieved through reforms and rapprochement with more developed economies, provided that macro-financial stability is maintained. The driver for these processes should be the European integration of Ukraine. Even before the official accession to the EU, the prospect of European integration will stimulate foreign trade and investment, as well as strengthen the institutional capacity of the country. As the experience of other countries shows, incentives for economic growth create actual fulfillment of requirements before joining the EU. Reforms, in particular, will increase the efficiency of the use of resource potential, reduce corruption and deepen market competition.

6. Performance Results

For JSB "CLEARING HOUSE", 2023 was year of operation under martial law and ensuring going concern.

The Bank maintains a high level of capitalization.

The regulatory capital of the Bank as at the end of 2023 is **UAH 987.5 million**, which significantly exceeds the regulatory requirements of the National Bank of Ukraine and provides the Bank with **42.96%** of a capital adequacy ratio with a set minimum level of 10%. At the same time, the core capital is **UAH 670.3 million**, or more than **65%** of the total regulatory capital.

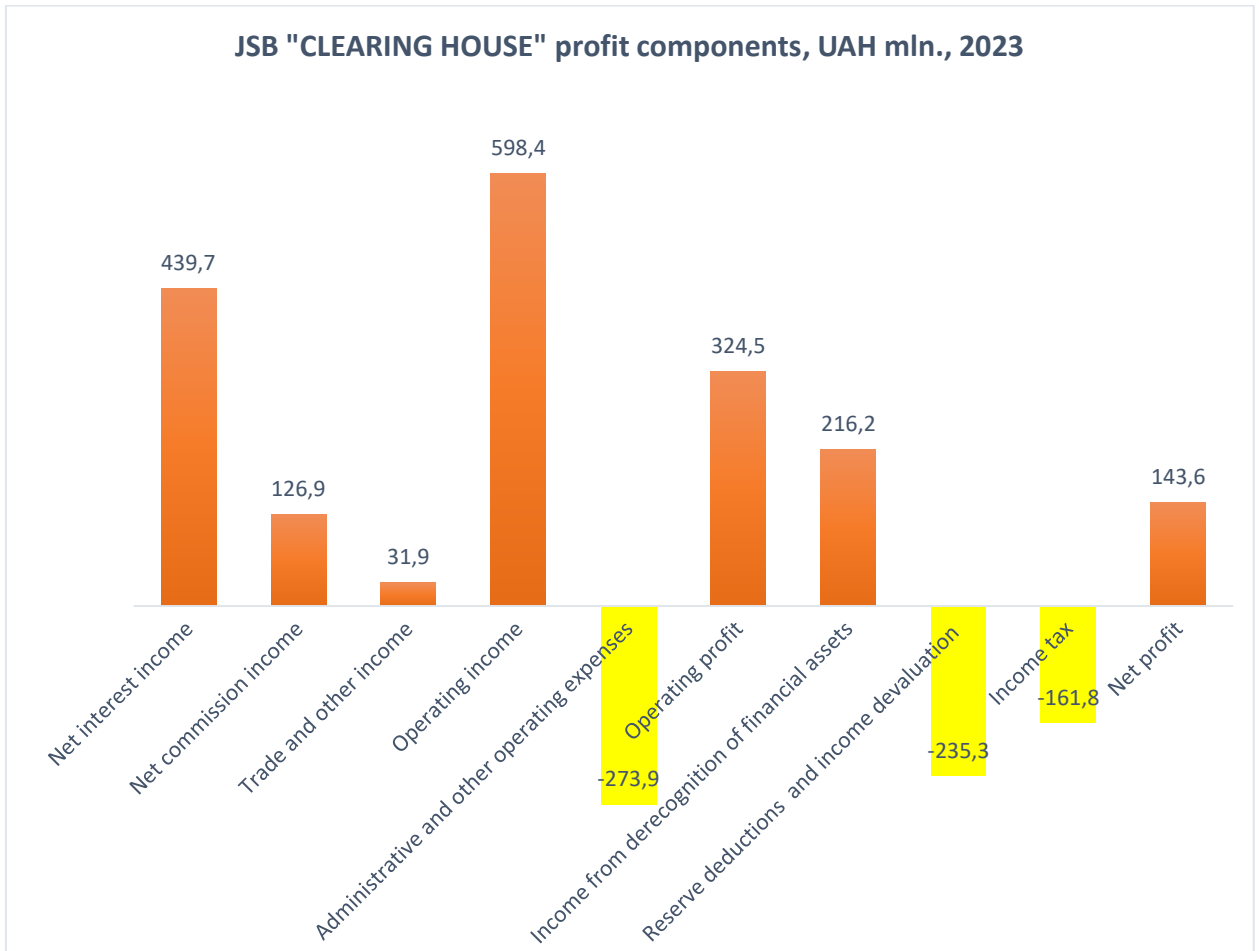
Profitability

JSB "CLEARING HOUSE" is a profitable commercial bank, with net financial performance result in 2023 of **UAH 143.6 million**.

The Bank's operating profit by results of operations in 2023 amounted to **UAH 324.5 million**, including:

- Corporate business: profit of **UAH 178.5 million**;
- Services to individuals and SMEs: profit of **UAH 80.8 million**, including:
 - *Wealthy customers (Private Banking): profit of **UAH 37.4 million**;*
 - *individuals and small and medium-sized business customers (Bank at work): profit of **UAH 43.4 million**.*
- Centralized, treasury operations and unallocated items: profit of **UAH 65.2 mln**.

Effective activity of the Bank allowed to strengthen the capital by forming additional reserves for further growth and development in the process of implementation of the European Union directives and implementation of the "Basel III" rules in Ukraine.

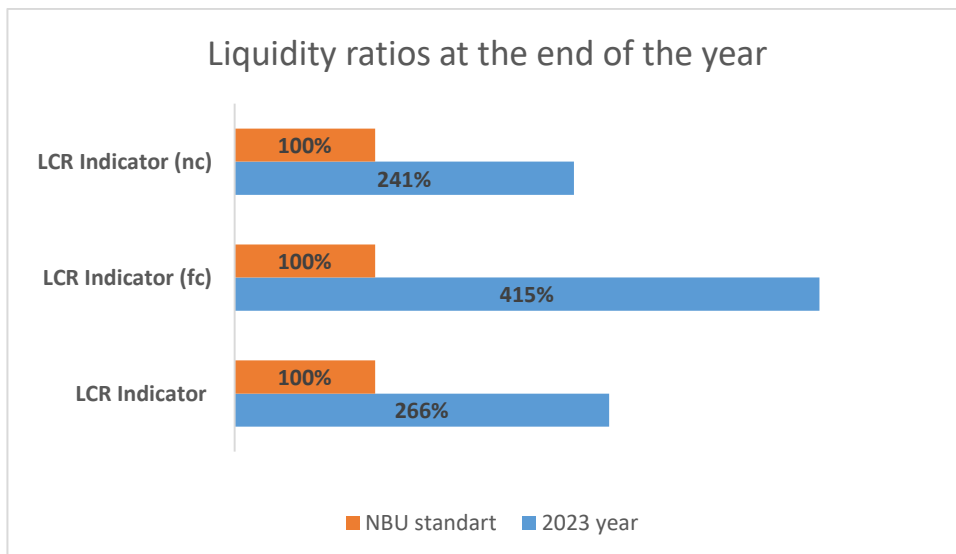


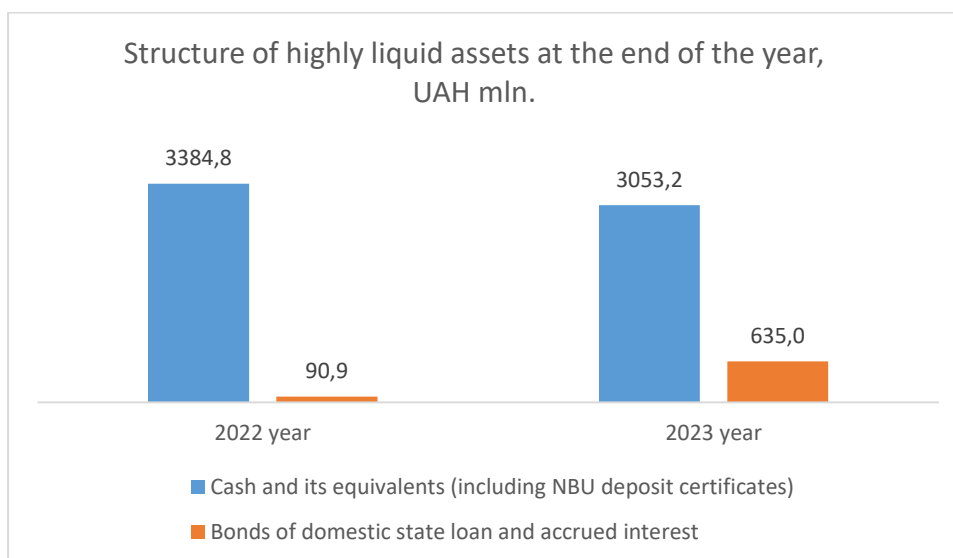
* the profit components in the chart correspond to Note 23 to the annual financial statements.

Liquidity indicators demonstrate the reliability of the Bank's positions and exceed the requirements of the NBU.

Liquidity indicators show that the Bank has enough funds to fulfill its obligations to customers.

Liquidity indicators at the end of 2023 significantly exceed the regulatory requirements of the NBU.



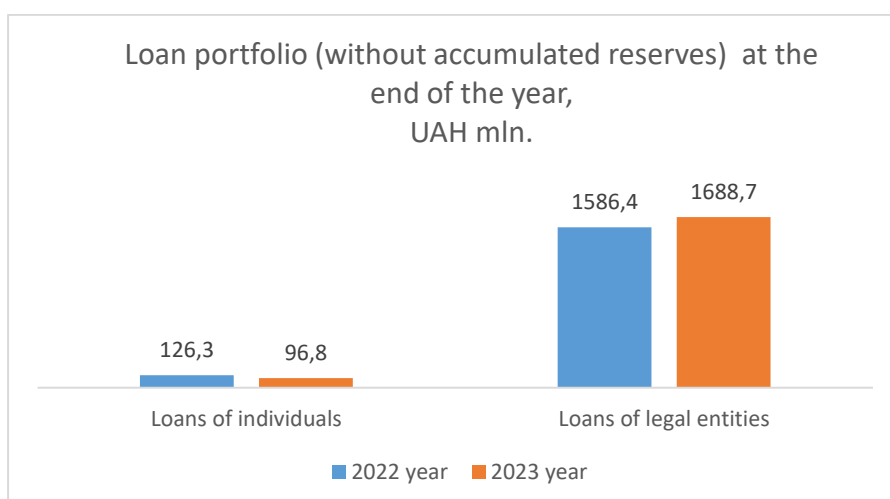


Loan Portfolio.

As of the end of 2023, the bank reached the level of non-working assets in the loan portfolio of legal entities and individuals (hereinafter - NPL) 20.5%, which is 16.9 pp less than the value for the banking system of Ukraine (as of the end of 2023, the share of NPL in the loan portfolio of the banking system is 37.4%).

The total customer loan portfolio increased by UAH 72.8 million during 2023. (excluding provisions), or by 4.2%. The loan portfolio of legal entities increased by UAH 102.3 million. (excluding provisions), or by 6.5%, with the total number of legal entity borrowers who were in arrears as of the end of 2023 being 50 customers.

The total customer loan portfolio increased by **UAH 72.8 million** during 2023. (excluding provisions), or by **4.2%**. The loan portfolio of legal entities increased by **UAH 102.3 million**. (excluding provisions), or by **6.5%**, with the total number of 50 borrowers-legal entity in debt as at the end of 2023.



Performance indicators increased

ROE - ratio of net profit to bank equity

ROA - ratio of net profit to bank assets

Cost to income - the ratio of administrative expenses to operating income

Net interest margin - the ratio of net interest income to the amount of assets that generate interest income.

ROA and ROE are **2.9%** and **20.5%** respectively.

According to the results of 2023, the Cost to income is **46.0%**.

Net interest margin on 2023 results is **9.4%**.

The main drivers of growth in the Bank's efficiency with paid interest-bearing resources and assets were a significant reduction in the cost of raising funds, an increase in the efficiency of work with highly liquid funds and an increase in interest income from lending to new corporate clients and individuals.

Depository Activity

JSB "CLEARING HOUSE" has 24 years of experience in the capital market as a depository with a formed and expert team of specialists.

As the depository, JSB "CLEARING HOUSE" is a client of JSC "National Depository of Ukraine", the Depository of the National Bank of Ukraine, a member of the Professional Association of Capital Markets and Derivatives (PACMD).

In 2023, the Bank served about 148 thousand of security accounts and 550 issues of securities of Ukrainian and foreign issuers, including government bonds. The total nominal value of securities serviced by the depository institution is UAH 7.77 billion. The Bank also provides asset custody services of collective investment institutions and assets of non-state pension funds.

The depository operates on the basis of three licenses of the National Securities and Stock Market Commission giving it the right to carry out professional activities in the capital markets - depository activities of a depository institution, assets custody activities of collective investment institutions, assets custody activities of non-state pension funds.

Among the advantages of the Bank as a depository institution are: many years of experience, a full range of depository services, the Bank's active position in the capital market, an individual and qualified approach to servicing each client, optimal tariffs for depository services.

Operations and IT Strategy

During 2023, the activities of the Information Technology Center units focused on the priority areas of the overall IT strategy, such as innovative technologies, automation of business processes, improvement of the IT culture, as well as the provision of modern equipment and software.

Significant attention of IT was focused on the development and support of the automated banking system (ABS) in the face of constant changes in legislation and regulatory documents of the regulator. At different times, such significant projects of the NBU as SEP4.0., a single register of non-residents, etc. were implemented. In order to ensure the smooth operation and processing of customer payments in the absence of communication with the payment infrastructure operator, an offline process for exchanging information (payment instructions) with the CC NBU was developed and tested.

In order to minimize dependence on local providers and supply of electricity, possible physical damage to equipment, the deployment of IT infrastructure and important bank systems on cloud services continued.

In the world of modern banking, an essential component of the Bank's development as a provider of quality financial services is the introduction of innovative and effective IT solutions, so the Bank constantly improves IT systems using leading tools such as API, microservice architecture, etc. The key to customer confidence in the Bank in the field of remote services is the security, speed and ease of performing transactions or receiving services. The Bank is continuously working to improve the current and implement new services in remote service systems, providing customers with new opportunities and advantages.

In order to increase its position in the competitive environment and following the trends of the banking services market in 2023, IT departments implemented:

- Tokening of the payment card in the MyBank365 mobile application;

- Credit to the card in the mobile application MyBank365;
- Early termination of the deposit in MyBank365 mobile application;
- PUSH-informing about the conducted transactions in MyBank365 mobile application;
- Replenishment of bank cards in information payment terminals with cash.

In the conditions of war, it is important for the Bank to hear the customer, understand his needs and effectively solve them. To this end, the Bank builds a system of communication with the customer, introducing the CRM system and new feedback methods.

The above measures to develop the IT system services and other implementations during the year allowed the bank to sell its products more efficiently, to service products faster and more conveniently, which is evidenced by the customer base growth and feedback from the Bank's customers.

In 2024, the Bank will continue to develop remote service systems in accordance with the current challenges and the needs of payment service users.

7. Corporate

The main goals for 2023 were to achieve maximum satisfaction of the needs of existing large corporate business customers and to start relations with new customers, business groups whose business corresponds to the risk profile of the Bank. Due to missile attacks by Russian terrorists on the Ukrainian energy system and rolling blackouts during the first half of the year, the main goal was uninterrupted remote servicing of existing customers.

Financial services and products of the Bank in 2023 were used by more than 670 corporate clients. In 2023, the Bank aimed at working with Corporate segment of the fuel and energy industry, wholesale trade, including grain, agriculture under adapted banking products.

Cooperation with large corporate business customers continues to be based on the following values:

- Individuality;
- Exclusivity;
- Confidentiality;
- Honesty and transparency;
- Interest in long-term relationships;
- Openness and competence of staff.

The loan portfolio of the main debt amounted to about **UAH 1,380,4 million**.

The segment's customer loan portfolio increased by **UAH 200.9 million** in 2023.

The total amount of overdraft limits opened as at the end of 2023 amounted to more than **UAH 300 million**.

Customer accounts are more than **UAH 2,156,4 million**.

Fee and commission income for bank guarantees amounted to **UAH 8.7 million**.

Operating income of corporate business in 2023 amounted to about **UAH 231.8 million**, including non-interest bearing income of **UAH 59.7 million**.

The segment's operating profit for the 2023 amounted to **UAH 178.5 million**.

JSB "CLEARING HOUSE" provides its corporate clients with the most complete list of banking services, starting with a variety of programs and products for financing business development, efficient placement of temporarily free funds, servicing corporate cards and salary card projects, providing bank guarantees for products: "Express Guarantees", Guarantees of NEC "UKRENERGO" and Guarantees of LLC "GTS OPERATOR of UKRAINE", services of depository institution and other documentary transactions.

The main products and services offered by the Bank include:

Cash flow management:

- opening and maintaining current accounts;
- financial control centre of the company and controlled enterprises;
- international payments;
- collection of cash proceeds;
- servicing corporate cards and salary card projects.

Free funds management:

- classic term deposit;
- treasury deposit for a short period of up to 30 days;
- overnight deposits;
- operations with government bonds;
- special solutions.

Business financing:

- working capital financing
- multi-currency credit line;
- loans to agricultural enterprises;
- overdrafts;
- trade financing;
- documentary transactions (including bank guarantees, documentary collection, bill settlements).

Depository services:

- Opening and maintaining securities accounts;
- Servicing the circulation of securities in electronic form on the stock exchange and over-the-counter market, including in compliance with the principle of "supply of securities against payment";
- Ensuring the storage of securities in electronic form on securities accounts;
- Blocking (encumbrance) of securities and securing lending operations against securities;
- Servicing collective investment institutions and non-state pension funds;
- Payment of income from ownership of securities;
- Ensuring voting depositors at the General Meeting of Shareholders.

8. Private Banking

The development of cooperation with wealthy clients is one of the main drivers of the Bank's business model.

The Bank creates an atmosphere that helps to unite people and values of a wealthy customer.

From year to year, the number of Private Banking customers confirms the Bank's strong position in this segment of banking services in Ukraine: at the end of 2023, the client base of the Private Banking segment is more than 2.9 thousand customers.

Cooperation with partners and customers is based on the following values:

- individuality;
- exclusivity;
- confidentiality;
- honesty and transparency;
- long-term relationship;
- openness and expertise of staff.

The development of relationships is realized through certain aspects of a wealthy customer life:

- family and home;
- friends and partners;
- business;

- personal interests.

In 2023, the Bank was focused on working with Private Banking customers to support its own customer base, using its strong sides: individuality, accessibility, safety, flexibility and speed of service.

The Bank constantly monitors the development of services to Private Banking customers both in Ukraine and abroad and introduces products that meet the needs of customers in this segment.

Operating income of Private Banking business in 2023 amounted to **UAH 106.1 million**, including non-interest bearing income of **UAH 52.5 million**.

The segment's **operating profit** for 2023 amounted to **UAH 37.4 million**.

The main products and services offered by the Bank include:

Free funds management:

- deposit in different currencies under free terms of the deposit duration, frequency of payment of income, possibility for replenishment and partial early withdrawal of funds;
- classic term deposits;
- selling non-cash foreign currency to customers to place on a fixed-term deposit;
- securities, etc.

Banking services:

- VISA premium cards to serve the current financial needs of Customers;
- providing customers with comprehensive banking services. Package solutions provide customers with the opportunity to use multi-currency payment cards, which are simultaneously issued to accounts in different currencies (up to 5 currencies), accumulate funds (savings accounts in 3 currencies), reduce the financial burden by receiving salary and equivalent payments to accounts for which accrued interest is not taxed.
- opening and entering current accounts
- renting individual deposit safes;
- special conditions for the most secure purchase and sale of property;
- purchase and sale of foreign cash currency;
- online translations;
- remote service channels;
- collection, etc.

Other services:

- financial risk insurance;
- developing children's financial culture;
- bonus program "We appreciate";
- Concierge service 24/7;
- premium services from the Ministry of Railways;
- mobile application MyBank365 with a wide range of available operations.

Financing:

- credit cards with a grace period;
- use of funds within the credit limit;
- lending secured by cash placed with the bank;
- overdraft.

9. Bank-at-work (individual customers/small and medium-sized business)

To achieve the maximum synergy in servicing key business areas, the Bank pays due attention to the development of relations with mass-affluent/mass segment customers and with small and medium-sized businesses (Bank at work).

The Bank's team develops services and helps each customer implement his goal and overcome life difficulties.

The value of cooperation with customers of key business areas is an integral part of the Bank's corporate culture, therefore, the Bank adheres to high quality and level in customer service.

As of the end of 2023, despite the difficulties associated with russian aggression and martial law in effect, the customer base of the Bank at work segment is more than 36 thousand customers.

Customer relationships are developed through the following attributes:

- family and home;
- friends;
- reaching goals;
- personal interests.

In 2023, the Bank strengthened its position in remote servicing of existing and new individual customers. In particular, the volumes have been increased and the range of available customer operations through the MyBank365 mobile application has been expanded, by introducing the following services: lending to private customers using a mobile application; e-Recovery package and a multi-currency digital card; a separate investment product "Free+", which provides the opportunity to purchase non-cash foreign currency with the subsequent placement of funds on a deposit account; an opportunity for customers to purchase non-cash foreign currency using a mobile application; expanded channels for informing customers about payment cards transactions by push notifications, the possibility to re-issue digital cards.

The Bank continues to work on maintaining a stable number of customer cashless payments in the trading network using payment cards and by increasing the Bank's role in the financial life of customers. According to the results of activity in this area, revenues from these operations (Interchange) for 2023 were consistently higher than UAH 7 million.

A full-scale attack by russia led to a sharp decline in economic activity in Ukraine. At the beginning of the war, one third of enterprises stopped operations, but despite this, as at the end of 2023, the portfolio of customer accounts increased in 2023 to **UAH 837.4 million**.

The operating income of the 'Bank at work' business in 2023 amounted to about **UAH 119.0 million**, including non-interest bearing income of **UAH 45.3 million**.

The segment's **operating profit** for 2023 was **UAH 43.5 million**.

In 2023, the Bank focused on maintaining the quality of the loan portfolio by improving communication with borrowers and introducing refinancing programs and various promotional measures in order to bring the debt burden on customers in line with the current state of their solvency.

The main products and services offered by the Bank include:

Free funds management:

- classic term deposit;
- accumulating funds with the possibility to withdraw or replenish;
- treasury deposit for a short period of up to 30 days (to legal entities);
- special solutions.

Financial life management:

- opening and maintaining current accounts;
- salary cards servicing;
- cashless transfers and payments;
- purchase and sale of foreign cash currency;
- renting individual deposit safes.

Cash flow management (legal entities):

- opening and maintaining current accounts;
- international payments;
- collection of cash proceeds;
- service of corporate cards and salary card projects.

Financing:

- overdraft to the salary card;
- credit line with a renewable limit;
- credit card with grace period;
- mortgage lending for the purchase of real estate in the primary market;
- credit for consumer needs;
- financing of working capital (legal entities);
- overdrafts with differentiated interest rates (legal entities).


Approved for issue and signed on 18.04.2024

Chairman of the Board

Chief Accountant




Viktoriia ANDREIEVSKA


Oleksandra MARKINA

Translation from the Ukrainian Original**RSM UKRAINE****INDEPENDENT AUDITOR'S REPORT**

*to the Shareholders, Supervisory Board and the Management Board
of Joint Stock Company "BANK "CLEARING HOUSE"*

37/19 Donetska Str.,
Kyiv 03151, Ukraine
Tel./Fax: +380 (44) 501 59 34

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Opinion**

We have audited the financial statements of the Joint Stock Company "BANK "CLEARING HOUSE" (hereinafter – the Bank which comprise the statement of financial position as at December 31, 2023, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows (indirect method) for the year then ended, and notes to the financial statements, including the summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Bank as at December 31, 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (hereinafter – IFRSs) and is prepared in compliance with the requirements of the legislation of Ukraine.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our Independent Auditor's Report. We are independent of the Bank in accordance with ethical requirements that are applicable in Ukraine to our audit of the financial statements, such as the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (hereinafter – IESBA Code), and we also have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Significant Uncertainty regarding Going Concern

We draw attention to notes 2 and 3 to the financial statements, where it is noted that Bank's management has assessed the existing significant uncertainty related to the ongoing hostilities on the territory of Ukraine, which have already caused and continue to cause significant negative consequences both for the Ukrainian economy as a whole, and for the Bank's clients in particular, and disclosed information on the impact of military aggression by the Russian Federation on the circumstances underlying management's going concern assumptions. The Bank's management believes that the Bank has sufficient margin of safety to continue as a going concern and observes the tendency of stabilization of the situation in the Bank. At the same time, the Bank's management recognizes that the Bank's further activities, as well as the entire financial system of the country, will depend on further developments at the frontline, and the impossibility of predicting these events, the timing of the end of hostilities and their impact on the state of the economy, is the basis for significant uncertainty, which may cast significant doubt on the Bank's ability to continue as a going concern in the future.

Our opinion is not modified in respect of this matter.

Other matters

The Bank's financial statements as of December 31, 2022 and for the year ended on that date were audited by other auditors, whose report dated April 28, 2023 contained an unqualified opinion on these financial statements.

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the financial statements in the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the paragraph Significant Uncertainty regarding Going Concern, we have determined that a key audit matter is the measurement of expected credit losses for financial assets.

Measurement of expected credit losses for loans granted to legal entities and individuals

Measurement of expected credit losses for loans granted to legal entities and individuals is a key audit matter considering the volume of these transactions in Bank's activity, and the fact that in accordance with International Financial Reporting Standard 9 "Financial Instruments" (hereinafter – IFRS 9), the measurement of expected credit losses is based on scenario analysis considering not only past events, current conditions but also future economic forecasts, which is to a greater extent subject to professional judgment of the Bank's management, and therefore, the use of certain judgments and assessments can cause different level of credit losses.

The volume of loans granted to legal entities and individuals, and expected credit losses as at December 31, 2023 are disclosed in Note 6 to the financial statements.

When estimating the volume of expected credit losses for loans granted to legal entities and individuals, the Bank used different methods (models) for estimating credit losses depending on the characteristics of the loan. For loans assigned to groups of financial assets, the Bank applied a method based on such parameters as the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD), taking into account the Bank's available and other available information, forecast information and judgments of management. For loans that were not included in the group of financial assets, the Bank's approach was based on building and assessing the expected cash flows, taking into account the probability of default (PD) and available collateral.

Our audit procedures included:

- analysis of the methodology for compliance with the requirements of IFRS 9, the data used by the Bank within the framework of the applied models, for their appropriateness and compliance with the Bank's and publicly available data, and the main assumptions that were applied - for the reasonableness;
- analysis of using various assessment methods to loans with appropriate characteristics;
- analysis of the approaches used by the Bank to determine the stages of impairment;
- analytical procedures;
- in the course of detailed testing of the selected loans, a check was carried out to determine the class of the borrowers financial condition (including the Bank's approaches to determining the condition of debt service), the Bank's work with collateral, the expected future cash flows built by the Bank's management, the probability applied to these scenarios, assumptions regarding the terms of collection of the collateral, the value of its sale, market volatility and the level of losses upon the sale of the

property in the case of the fastest sale, the probability of default (PD) and the loss given default (LGD) parameters applied by the Bank.

We also assessed whether the disclosures related to expected credit losses in the financial statements were appropriate.

More detailed information on the procedure for determining expected credit losses on financial assets is disclosed in Note 3 to the financial statements.

Determining the fair value of investment securities

Determining the fair value of investment securities is a key audit matter considering of the volume of the specified transactions in the Bank's activities, as well as the fact that the fair value of securities is determined in accordance with IFRS 13. Depending on the conditions, IFRS 13 provides for the use of both, the market approach and other approaches and using Level 2 and Level 3 inputs. The difficulty of determining the fair value of such financial instruments is the possibility of using different valuation methods and sources of information, in conditions of uncertainty, limited markets, significant differences in the range of indicators of various international rating agencies, therefore it is a matter of applying professional judgment and assumptions of management that may be subjective in nature.

The volume of investment securities valued at fair value as of December 31, 2023 is indicated in note 7 to the financial statements.

Our audit procedures included:

- analysis of the Bank's methodology for determining the fair value of investment securities;
- analysis of approaches and data used by the Bank to determine the fair value of such assets;
- analysis of data in open sources and other information that can be used as an alternative to determine the fair value of such assets, and comparison with the value determined by the Bank;

We also analyzed the disclosure of securities valued at fair value in the financial statements.

Other Information

Management of the Bank is responsible for other information, which is not the financial statements of the Bank and do not contain our Independent Auditor's Report thereon.

Other information comprises:

- *Management Report (Governance Report) for 2023* (hereinafter – the Governance report), which was prepared by the Bank based on the requirements of Chapter IV of the Resolution of the Board of the National Bank of Ukraine «Regulation on the Procedure of Preparation and Release of Financial Statements of Banks No 373 dated 24.11.2011 (hereinafter – Resolution No 373), and which we received before the date of our Independent Auditor's Report. Our opinion on the financial statements does not apply to the abovementioned Governance Report and we do not conclude with any level of assurance on it as a whole. In connection with our audit of the financial statements, our responsibility in accordance with requirements of par.11 of Chapter IV of Resolution No 373 is to read the Governance report and review on:
 - its consistency with the financial statements of the Bank for 2023;
 - compliance of the Governance Report with legislation requirements;
 - the existence of material misstatements in the Governance Report.

and in accordance with the Law of Ukraine No 2258-VIII “On Audit of the Financial Statements and Auditing” dated 21.12.2017:

- whether the financial information in the Governance report is consistent with the financial statements for the reporting period and/or other information obtained by the auditor during the audit.

We have not identified inconsistency of the Governance Report with the Financial Statements of the Bank for 2023, neither we identified incompliance of the Governance Report with the legislation requirements regarding its preparation and presentation procedures. We have not found material misstatements in the Governance Report. Neither we found any inconsistency of the financial information in the Governance report with the financial statements for the reporting period and/or other information we obtained during the audit;

- *Annual Information of the Issuer*, which must be completed by the Bank based on the requirements of articles 126 and 127 of the Law of Ukraine “On Capital Markets and Organized Commodity Markets” dated February 23, 2006 No 3480-IV (hereafter – Law No3480-IV) and Decision of the National Security and Stock Market Commission “On approval of the Regulation on disclosure of information by issuers, as well as persons who provide collateral for such securities” No 608 dated June 06, 2023 (as amended) and which is not the financial statements of the Bank and does not contain our Independent Auditor’s Report thereon. Annual Information of the Issuer will be provided to us after the date of our Independent Auditor’s Report, other than the Corporate Governance Report obtained by us prior to the date of our Independent Auditor's Report. Our opinion on the financial statements does not apply to the Annual Information of the Issuer and we do not conclude with any level of assurance on this Annual Information of the Issuer as at the date of this Independent Auditor’s Report. In connection with our audit of the financial statements, our responsibility is to read the Annual Information of the Issuer and consider whether there is a material inconsistency between the Annual Information of the Issuer and the financial statements, or our knowledge obtained during the audit, or whether the Annual Information of the Issuer otherwise appears to be materially misstated. When we read the Annual Information of the Issuer and if we come to the conclusion that it contains the material misstatement, we will be obliged to inform those charged with governance about this fact.

Responsibilities of the Bank’s 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 the 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 assumption as a 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Bank;
- 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 the 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 those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- *The Law of Ukraine "On Audit of the Financial Statements and Auditing" No 2258-VIII dated December 21, 2017*

The information in this section of the Independent Auditor's Report is provided in accordance with paragraphs 3 and 4 Article 14 of the Law of Ukraine "On Audit of the Financial Statements and Auditing" No. 2258-VIII dated December 21, 2017.

We were appointed to conduct the statutory audit of the Bank's financial statements by the Supervisory Board resolution No 60 of October 11, 2023; the total duration of the audit engagement without interruptions, taking into account extension of the mandate that could take place and the re-appointments, is one financial year that ended December 31, 2023.

Audit Estimates

Description and assessment of risks of the most significant risks of material misstatement of information in the financial statements under audit, including due to fraud. Reference to respective item or other disclosure in the financial statements for every description and assessment of the most significant risks in the financial statements

During the audit we decided on the most significant risks of the material misstatements of information on the financial statements, including due to fraud, which include:

- on the financial statements level:
 - o Existent business risk based on the fact that the Bank belongs to public interest entities, carries its activity in economic and political environment under the influence of the events related to full-scale military aggression of Russian Federation (notes 1, 2, 30 to the financial statements of the Bank and also Governance Report);
 - o Going concern basis of preparation of the financial statements (note 3 to the financial statements of the Bank and paragraph *Significant Uncertainty regarding Going Concern* of this Independent Auditor's Report);
- on the assertion level for classes of transactions, account balances and disclosures:
 - o measurement of expected credit losses for loans granted to legal entities and individuals (note 6 to the financial statements of the Bank and paragraph *Key Audit Matters* of this Independent Auditor's Report)
 - o determining the fair value of investment securities (note 7 to the financial statements of the Bank and paragraph *Key Audit Matters* of this Independent Auditor's Report);

Brief description of responses taken to address the most significant risks of material misstatement in the financial statements

We applied professional judgement in planning and performing the audit, as well as planned and performed the audit with professional scepticism, acknowledging that there can be circumstances that lead to the material misstatements in the financial statements. On the basis of identified and assessed risks of material misstatement of the financial statements, apart from the procedures described in the sections *Key Audit Matters* and *Auditor's Responsibilities for the Audit of the Financial Statements* of this Independent Auditor's Report, we conducted the following audit procedures, we:

- planned the audit in accordance with the RSM International Global Audit Manual, which is developed to fully meet the ISAs (hereinafter - GAM), in order to mitigate the risk of undetected misstatements in the financial statements to the acceptable level;
- performed the individual and/or combined assessment of the risks of material misstatement for classes of transactions, account balances and disclosures, which contains assessment of the risk of internal control and the risk inherent of certain classes of transactions, account balances or disclosures;
- assigned personnel appropriate in the circumstances to carry out the statutory audit;
- in accordance with ISQM 2, "Engagement Quality Review", appointed a person responsible for quality control review of the engagement, who is not a member of the engagement team conduct an objective assessment of the significant judgments made by the engagement team and the conclusions reached.

Main reservations regarding the risks of material misstatement of information in financial statements

The main reservation is the risk of fraud, which is not the most significant risk of material misstatement of information in the Bank's financial statements, however, in accordance with ISA 240, the risk of management override of controls exists in all economic entities and due to the unpredictability of the manner in which such a neglect may occur, it is a risk of material misstatement of the financial statements due to fraud and therefore is a significant risk. In accordance with the requirements of ISA 240, when planning the audit, we considered the Bank's susceptibility to fraud, taking into account the business environment, as well as the means and

methods of control established and maintained by the management, as well as the nature of transactions, assets and liabilities recorded in the accounts.

In planning our audit, we made inquiries of the Bank's management regarding whether they had any knowledge of actual cases of fraud that had occurred, suspected fraud affecting the Bank. In response to such requests, management provided a written fraud risk assessment of the Bank, according to which the fraud risk is low.

However, the primary responsibility for preventing and detecting fraud rests with the Bank's management, who should not rely on audit to avoid their responsibilities, as fraud may involve collusion, forgery, intentional omissions, misstatements, or override of controls measures that may not be detected due to limitations inherent of an audit. The limitations inherent of an audit are set out in the paragraph Auditor's Responsibilities for the Audit of the Financial Statement section of this Independent Auditor's Report.

Clarifications regarding the Considered Possibility to Identify Violations, including Fraud during the Statutory Audit

To obtain reasonable assurance, we had to get acceptable audit evidence, sufficient to reduce the audit risk to an acceptably low level, which would enable us to reach reasonable conclusions to base our opinion. This was achieved by complying with the requirements of GAM and ISAs.

Consistency of Independent Auditor's Report with Additional Report to Audit Committee

The Audit Committee function at the Bank is rested with the Audit Committee of the Supervisory Board. The opinion stated in this Independent Auditor's Report is brought in line with the Additional Report to the Audit Committee, which was prepared in accordance with the requirements of Article 35 of the Law of Ukraine "On Audit of the Financial Statements and Auditing".

Statement on not Providing Non-assurance Services, as defined by Article 6 of the Law of Ukraine "On Audit of the Financial Statements and Auditing" No 2258-VIII dated 21.12.2017.

We have not provided the Bank with non-assurance services as defined by Article 6 of the Law of Ukraine "On Audit of the Financial Statements and Auditing".

Statement on Independence of the Key Audit Partner and the Audit Firm from the Bank during the Audit

Statement of our independence from the Bank, including the key audit partner of the audit of the financial statements is disclosed in the *Basis for Opinion* and *Auditor's Responsibilities for the Audit of the Financial Statements* paragraphs of this Independent Auditor's Report.

Information about Other Services Provided to the Bank or its Controlled Entities, except for Statutory Audit Services

From the date of our appointment as the auditor of the Bank's financial statements for 2023 until the date of this Independent Auditor's Report, we have not provided other services to the Bank.

During the period under audit there were no legal entities controlled by the Bank (subsidiaries) to which we would have provided services.

Clarifications on the Scope of the Audit and the Limitations Inherent of an Audit

The audit scope is described in *Auditor's Responsibilities for the Audit of the Financial Statements* paragraph of this Independent Auditor's Report.

Because of the limitations inherent of an audit as well as limitations inherent of the internal control system, there is an unavoidable risk that some significant misstatements may not be detected even if the audit is properly planned and performed in accordance with the ISAs.

Basic Information about the Audit Firm:

- *Full name according to constituent documents* - LIMITED LIABILITY COMPANY “RSM UKRAINE”
- *Place of the entity’s registration and actual location* – 47, Nizhnyoyurkivska Str., 04080, Kyiv and 37/19, Donetska Str., 03151, Kyiv, respectively;
- *Information on including in the Register* – under No 0084 in the Register of Auditors and Audit Entities, including in Section “*Audit entities eligible to carry out statutory audit of the financial statements*” and in Section “*Audit entities eligible to conduct statutory audit of the financial statements of public interest companies*”.
- *the Decision of National Security and Stock Market Commission (hereinafter - NSSMC) “Requirements to Information that relates to Audit or Review of the Financial Statements of the Capital Market and Organized Commodity Markets’ Participants, which are supervised by the National Securities and Stock Market Commission” No 555 dated July 22, 2021 and the Decision NSSMC “On approval of the Regulation on disclosure of information by issuers, as well as persons who provide collateral for such securities” No 608 dated June 06, 2023 (hereinafter – Decision No 608)*

Audit of the financial statements of JOINT STOCK COMPANY “BANK “CLEARING HOUSE” was conducted on the basis of agreement №06-10/2023 B 700 dated October 06, 2023 and was performed from October 27, 2023 until April 18, 2024 inclusively.

Full name of the legal entity: JOINT STOCK COMPANY “BANK “CLEARING HOUSE”.

In our opinion, *disclosure of information about the ultimate beneficial owner and ownership structure* at the reporting date was made by the Bank in accordance with the requirements of the Regulations on the form and content of ownership structure approved by the Ministry of Finance of Ukraine No 163 dated March 19, 2021 (note 1 to the financial statements).

The Bank is not a *controller/member of the non-banking financial group* (note 1 to the financial statements).

The Bank is a *public interest entity* (note 1 to the financial statements).

Parent company. The bank does not have a parent company (note 1 to the financial statements).

Subsidiaries: the Bank does not have any subsidiaries (note 1 to the financial statements).

Prudential indicators established by the legal and regulatory act of NSSMC. For Ukrainian banks, prudential indicators are set by the National Bank of Ukraine based on the requirements of the Instructions on the Procedure for Regulating the Activities of Banks in Ukraine No 368 dated August 28, 2001 (note 1 to the financial statements).

In connection with the Corporate Governance Report preparing by the Bank in accordance with the law requirements, we inform the following:

- we checked the reliability of the information provided in the Corporate Governance Report specified in paragraphs 1-4 of the third part of Article 127 of the Law of Ukraine “*On Capital Markets and Organized Commodity Markets*” № 3480-IV dated February 3, 2006 and paragraphs 1-5 of Decision No 608;

- in our opinion, information specified in paragraphs 5 - 9 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" and paragraphs 1-5 of Decision No 608, namely: description of the main characteristics of internal control and risk management systems of the Bank; the list of structural units of the Bank that carry out key responsibilities for ensuring the operation of internal control and risk management systems; a list of persons who directly or indirectly own a significant block of shares in the Bank; information about the availability of the Bank's approved risk appetite declaration as well as a description of the key provisions of the Bank's risk appetite declaration; information on any restrictions on participation and voting rights of shareholders at the general meetings of the Bank; the procedure for appointing and dismissing officials and the authority of the Bank's officials set out in the Corporate Governance Report does not contradict the information we obtained during the audit of the Bank's financial statements.

The Bank has not formed *the Audit Commission*.

The key audit partner of the audit resulting in this Independent Auditor's Report is Oleksandr Dudar.

Oleksandr Dudar
Key Audit Partner

A handwritten signature in blue ink, appearing to read 'Oleksandr Dudar', with a horizontal line underneath.

Registration number 100867
in the Register of Auditors and Audit Entities

April 18, 2024

37/19 Donetska Str., Kyiv, Ukraine
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