

BANK ALLIANCE JOINT-STOCK COMPANY

**Management report
(governance report),
Financial statements in accordance with
International Financial Reporting Standards,
Independent auditor's report**

31 December 2023

**Management report
(governance report)
BANK ALLIANCE JSC
for 2023**

Kyiv

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INTRODUCTION

This Management Report (governance report) of BANK ALLIANCE JOINT STOCK COMPANY (hereinafter also referred to as the Bank and/or BANK ALLIANCE JSC) for 2023 has been prepared in accordance with the requirements of Art. 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the Instruction on the Procedure for Preparation and Disclosure of Financial Statements of Ukrainian Banks, approved by Resolution of the Board of the National Bank of Ukraine No. 373 of October 24, 2011, as well as Decision of the National Securities and Stock Market Commission No. 608 "Regulations on Disclosure of Information by Issuers of Securities and Persons Providing Security for Such Securities" of 06 June 2023.

The information set forth in this Report is subject to verification in accordance with the requirements of the law by the independent auditor of KRESTON UKRAINE LLC.

1. Communication to shareholders and other stakeholders by the Board Chairman of BANK ALLIANCE JSC

Dear shareholders and other stakeholders,

I am pleased to greet you and express my gratitude for your support and interest in the activities of BANK ALLIANCE JSC. Last year, our bank continued to focus on strategic development areas and ensuring the stability and reliability of our financial services.

Despite the challenges posed by economic instability and geopolitical factors, our bank maintains a high level of efficiency and reliability. We continue to develop our services and invest in innovation to provide the best possible experience for our clients.

Thanks to the teamwork of our team and the dedication of our employees, we are confident in the successful future of our bank. Our mission remains unchanged - to provide reliable and innovative financial services to help our customers and communities prosper.

Thank you for your trust and support.

Board Chairman Pavlo Shcherban.

2. Communication to shareholders and other stakeholders by the Board Chairman of BANK ALLIANCE JSC

Dear shareholders and other stakeholders,

I would like to openly share with you the results of our operating activities and strategic directions of BANK ALLIANCE JSC. Last year, we focused on improving the efficiency of our financial services and strengthening our market position.

Despite the challenges posed by the difficult economic situation caused by the military aggression of the Russian Federation, we continue to ensure the stable operation of the financial institution and high reliability. We are actively working to improve our banking services, introduce new technologies and strengthen our team to achieve our strategic goals.

The Bank's team is deeply grateful to you, our shareholders, for your support and trust, which are key factors in our success. We are committed to delivering maximum value to you, our shareholders, and will continue to work for the benefit of all our stakeholders.

Thank you for your trust and cooperation

Board Chairman Yuliia Frolova.

3. Information on the development and probable prospects for further development of BANK ALLIANCE JSC

BANK ALLIANCE JOINT STOCK COMPANY operates in accordance with the Laws of Ukraine "On Banks and Banking", "On Joint Stock Companies", "On Financial Services and State Regulation of Financial Services Markets", "On Accounting and Financial Reporting in Ukraine", the Civil Code of Ukraine, the Commercial Code of Ukraine, other laws of Ukraine, as well as on the basis of regulations of the National Bank of Ukraine and the National Securities and Stock Market Commission, other applicable laws and regulations.

The Bank does not have the status of a specialized bank.

BANK ALLIANCE JSC, despite the military aggression of the Russian Federation and the consequences of the war, successfully withstood the main challenges in the first half of 2022 and continued active development in 2023, demonstrating profitable results and, accordingly, having stable sources of financing for its activities.

The Bank is characterized by a viable business model that allows it to demonstrate high rates of development, even in the conditions of martial law in the country. The Bank ranks 23rd in terms of net assets. The Bank remains highly profitable in the market (return on assets and equity amounted to 1.1% and 11.8%, respectively, in the reporting year).

The key for the Bank in terms of revenue generation is servicing corporate business, which generates a significant share in the Bank's revenues from lending, as well as commission income from settlement and documentary operations. The Bank expects that in the medium term, the loan portfolio of both businesses and individuals in the banking system as a whole will continue to grow, which confirms the correctness of the Bank's business model.

It is appropriate to conclude that the entity will continue as a going concern for at least another 12 months from the reporting date (not limited to this period).

BANK ALLIANCE JSC is a universal bank providing a full range of banking services to legal entities and individuals and has an impeccable business reputation. In accordance with its Development Strategy, the Bank's mission is to create favorable conditions for the development of Ukraine's economy and stable growth of gross domestic product, while maintaining an optimal balance of interests of all stakeholders. The target customer group is corporate clients and clients of small and medium-sized businesses and microenterprises. The Bank focuses its efforts on building long-term partnerships with clients, promoting their financial well-being and developing the level of banking services.

The Bank has been operating in the market for more than 31 years (Certificate of registration of March 10, 1992, registration No. 89 in the State Register of Banks). The Bank provides comprehensive services to legal entities and individuals on the basis of the unlimited Banking License No. 97 of November 17, 2011 for the right to provide banking services specified in part three of Article 47 of the Law of Ukraine "On Banks and Banking Activities".

BANK ALLIANCE JSC belongs to the category of enterprises of public interest.

BANK ALLIANCE JSC carries out professional activities in the capital markets:

- trading in financial instruments - brokerage and sub-brokerage activities, the relevant license for brokerage activities AE No. 294590 was issued by the decision of the NSSMC No. 1582 of 25 November 2014, by the decision of the NSSMC No. 420 of 23 June 2022, sub-brokerage activities became possible from 01 July 2022;
- dealing in financial instruments - dealer activities, the relevant license was issued by the decision of the National Securities and Stock Market Commission No. 387 of 23 July 2019;
- depository activities of the depository institution, the relevant license was issued by the decision of the NSSMC No. 387 of 23 July 2019.

All the above licenses of the NSSMC are valid and unlimited.

The Bank is a member of the Deposit Guarantee Fund (Certificate No. 023 of September 2, 1999), a member of the Independent Association of Banks of Ukraine and the Association of Banks of Ukraine.

Due to legislative changes, the Extraordinary General Meeting of Shareholders of BANK ALLIANCE JOINT STOCK COMPANY (Minutes No. 4/2023 of November 10, 2023, drawn up on November 17, 2023) approved the new version of the Charter of BANK ALLIANCE JOINT STOCK COMPANY, which was approved by the National Bank of Ukraine on December 21, 2023 and, after registration by the state registrar, came into force on December 29, 2023.

The authorized capital of BANK ALLIANCE JOINT STOCK COMPANY as of December 31, 2023 amounts to UAH 457,280,000.00 (four hundred and fifty-seven million two hundred and eighty thousand hryvnias 00 kopecks).

The certificate of registration of the issue of shares with a nominal value of UAH 28.58 per share was issued to the Bank by the NSSMC on June 3, 2022 under No. 27/1/2021.

The following resolutions were adopted by the Extraordinary General Meeting of Shareholders of BANK ALLIANCE JOINT STOCK COMPANY (Minutes No. 5/2023 of December 21, 2023 (drawn up on December 26, 2023):

1.1. To increase the authorized capital of BANK ALLIANCE JOINT STOCK COMPANY from UAH 457,280,000.00 (four hundred fifty-seven million two hundred eighty thousand hryvnias 00 kopecks) to UAH 691,636,000.00 (six hundred ninety-one million six hundred thirty-six thousand hryvnias 00 kopecks) by placing 8,200,000 (eight million two hundred thousand) ordinary shares.) by UAH 234,356,000.00 (two hundred and thirty-four million three hundred and fifty-six thousand hryvnias 00 kopecks) by placing 8,200,000 (eight million two hundred thousand) ordinary registered shares with a nominal value of UAH 28.58 at the expense of additional contributions.

2.1. To resolve on the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY in the amount of 8,200,000 (eight million two hundred thousand) ordinary registered shares with a nominal value of UAH 234,356,000.00 (two hundred thirty-four million three hundred fifty-six thousand hryvnias 00 kopecks) without involvement of an investment underwriting firm.), without involving an investment underwriting firm in the placement, and to approve the Resolution on the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY with the list of persons participating in the placement of the Bank's shares in the process of issue, consisting of the Bank's shareholders as of the date of adoption of this resolution (without involving other investors), which is set out in a separate appendix to the Minutes of the Meeting.

As of the date of this Report, the procedure for increasing the Bank's authorized capital is ongoing.

The ultimate beneficial owner of BANK ALLIANCE JSC is a citizen of Ukraine, Mr. Oleksandr Sosis, who, after approval by the National Bank of Ukraine in 2016, acquired a significant interest in BANK ALLIANCE JSC in the amount of 89.289% of the Bank's authorized capital.

The total number of branches opened by the Bank as of December 31, 2023 was 35.

In connection with the introduction of martial law in Ukraine, in accordance with the Decree of the President of Ukraine No. 64/2022 "On the introduction of martial law in Ukraine", and in order to ensure the uninterrupted operation of BANK ALLIANCE JSC branches providing customer service under martial law, as well as taking into account the requirements of the Resolution of the Board of the National Bank of Ukraine No. 18 "On the operation of the banking system during the introduction of martial law" of 24 February 2022, the operation of one branch of the Bank was temporarily suspended. The Bank informs about the current changes in the working hours of its branches on its website <https://bankalliance.ua/articles>.

The Bank has implemented a number of IT projects as part of its business continuity management, such as the launch of the DWH analytical data warehouse, launch of additional backup communication channels with the NBU (NBU backup site in Lviv - channels from the Kyiv and Lviv data centers), introduction of backup satellite communication channels, and implementation of the NBU's CEP4 project.

BANK ALLIANCE JSC is a principal member of the international payment systems MasterCard WORLDWIDE and VISA ASSOCIATION, as well as a member of the national payment system PROSTIR.

BANK ALLIANCE JSC was appointed as the authorized bank-winner for the right to pay pensions, financial assistance and salaries to employees of budget organizations of the Ministry of Finance of Ukraine.

Since August 29, 2018, he has been an official member of the European Business Association (EBA).

The Bank's principal activities include lending and deposit operations, cash and settlement services to customers, purchase and sale of foreign currencies, trading with financial instruments, and provision of advisory and information services, including those related to foreign exchange market operations. The Bank actively uses interbank market instruments for prompt placement (attraction) of temporarily available funds, as well as for currency exchange operations.

The Bank is actively involved in a number of international lending programs. The highest priority is given to projects aimed at supporting the development of the private sector (small and medium-sized business projects), loan programs in the agricultural sector, as well as socio-economic infrastructure projects, including energy efficiency projects. On July 23, 2020, the Bank signed 2 agreements to attract funds from the European Investment Bank (hereinafter - the EIB) as part of the implementation of joint projects of the EIB and Ukraine "Main Loan for the Agricultural Sector - Ukraine" and "Main Loan Project for Small and Medium Enterprises and Companies with Medium

Capitalization". On December 30, 2021, the Bank signed an agreement with the International Finance Corporation (hereinafter referred to as IFC) to open a credit line (for a period of 3 years) and a trade finance line in the amount of USD 10 million (with the possibility of increasing the limit). (with the possibility of increasing the limit). The purpose is to finance Ukrainian small enterprises, with at least 50 percent of the loan proceeds earmarked for small and medium-sized enterprises in the agricultural sector.

The main strategic objectives of corporate, small and medium-sized businesses are to finance projects under the agreements concluded by the Bank with international financial institutions, namely with the International Finance Corporation (hereinafter referred to as IFC) on the issue of documentary instruments in terms of trade finance for the Bank's clients - Ukrainian business entities with risk coverage by the International Finance Corporation, and to expand cooperation with the International Finance Corporation IFC.

In 2023, the Bank continued its cooperation with the Entrepreneurship Development Fund, and the Bank is a participant in the state program for lending to small and medium-sized businesses "Affordable Loans 5-7-9". In addition, the Bank signed a Memorandum of Understanding with the State on the general principles of cooperation on the implementation of state support for agricultural producers, which provides for the allocation of budget funds to support agribusiness. In the Bank's opinion, the agricultural sector remains one of the key sectors of the state's economy. In 2023, the Bank continued to finance companies operating in this sector.

According to the official statistics of the National Bank of Ukraine, as of 01 December 2023, BANK ALLIANCE JSC was ranked 5th in terms of documentary operations.

According to PFTS Stock Exchange JSC, BANK ALLIANCE JSC ranked 5th among the largest stock exchange participants - traders in government bonds in 2023.

BANK ALLIANCE JSC provides an opportunity to send to any country of the world or receive urgent money transfers (with or without opening an account) through the international payment systems WesternUnion, MoneyGram, Welsend in US dollars, Euros, as well as in national currency (within Ukraine).

On 27 July 2023, the National Rating Agency "Rurik" confirmed the long-term credit rating of BANK ALLIANCE JSC at **uaAAA** investment category with an "**evolving**" outlook. The Bank's rating is determined by the National Rating Scale.

On October 23, 2023, S&P Global Ratings upgraded the Bank's long-term and short-term issuer credit ratings to 'CCC+', with a stable outlook.

In accordance with the Strategy of BANK ALLIANCE JSC for 2024-2026 developed by the Bank and approved by the Board of Directors on 28 December 2023 (Minutes No. 50), the Management Board was assigned a number of tasks. As part of the strategy implementation, the Management Board adhered to the principle of balance between profits and the level of risk assumed by the Bank. This principle allowed the Bank to maintain its financial stability in the face of negative impact of internal and external factors, in particular, those caused by the introduction of martial law in Ukraine, in accordance with the Decree of the President of Ukraine No. 64/2022 "On the introduction of martial law in Ukraine", which has and will have negative consequences for the economy of the state and is the main challenge to macro-financial stability, and to significantly improve its financial performance.

The management takes increased responsibility for the development of the Bank's Development Strategy for the coming years and monitors its implementation on a regular basis. Thus, the updated version of the Strategy of BANK ALLIANCE JSC for 2024-2026 was approved by the decision of the Board of Directors of 28 December 2023 (Minutes No. 50).

Within the framework of the approved Strategy, BANK ALLIANCE JSC reaffirms its commitment to the principles of transparency and responsibility in its daily activities and directs its efforts to achieve high standards of service in the Bank with 100% Ukrainian capital.

Among the key goals set by the management are:

- increase in the volume of active and passive transactions and the number of clients;
- increase in return on equity (ROE);
- creating brand awareness - digitalization, launch of a technological mobile application providing modern customer service services.

as well as ensuring a sustainable business model:

- capital adequacy;
- caution in conducting credit operations;
- optimal ratio of interest and fee and commission income.

In addition, in today's environment, considerable attention is paid to ensuring business continuity:

- Optimization and automation of internal processes for organizational sustainability and efficiency.
- Implementation of new and improvement of existing ESG standards, including with the involvement of IFC's advisory and information support (as part of expanded cooperation with IFIs).
- Improving the quality of customer service
- Attracting independent external resources (including cooperation with international financial organizations).

The key characteristics of the chosen strategy include the following:

- Target segments:
 - micro, small and medium-sized corporate clients;
 - retail customers with a separate consumer lending segment (including mortgage lending under the eHouse program, cash loans, POS loans, credit cards);
 - financial institutions.
- Regional presence in the largest cities of Ukraine.
- Raising funds from both corporate and individual clients.
- Diversification of the resource base, including through cooperation with IFIs.
- The priority lending segment is for microbusiness and small and medium-sized enterprises.
- Increasing the share of commission income.
- Combining traditional and digital operating models
- Organic growth using own resources
 - The business model of the Bank's development was defined in three business areas: Corporate, Retail and Investment;
 - The priority area of lending will be financing of SME and microenterprise clients, in particular, those operating in the field of agribusiness, which is one of the key sectors for the state economy (the Bank participates in joint projects of Ukraine and the European Investment Bank "Main Loan for Agricultural Industry - Ukraine" and "Main Loan for SMEs and Companies with Medium Capitalization"), as well as lending under the state program "Affordable Loans 5-7-9%", trade financing within the framework of cooperation with the International
 - The loan portfolio is planned to be financed mainly by increasing the funds raised from legal entities and individuals, funds from the European Investment Bank, a credit line under cooperation with the International Finance Corporation IFC, as well as proceeds from the Bank's activities (profit).
 - Expansion of financing with the involvement of IFIs, development of trade finance through cooperation with the IFS on issuing documentary instruments in terms of trade finance for the Bank's clients - Ukrainian business entities with risk coverage by the International Finance Corporation.

In accordance with the Bank's business model, the Bank identifies the following priority business areas to achieve its strategic goals:

- Corporate business, with a focus on Micro and SME segments;
- Retail business;
- Investment business.

Servicing of corporate clients is the highest priority for the Bank in 2024-2026, corporate business will remain key for the Bank and will form the main share of the loan portfolio and revenues of the Bank. Micro, small and medium-sized enterprises have been selected as the key customer segment to be targeted by the Bank. The logic of choosing this segment of the Bank is to limit excessive dependence on large customers. International companies and banks are a separate segment of customers, with whom the Bank plans to cooperate in a number of projects to finance both individual industries (in particular, agriculture) and the Ukrainian economy as a whole. In its activities, the Bank

adheres to the policy of environmental and social responsibility, therefore, among the priority areas of lending is "green" financing - projects on renewable energy sources, energy efficiency, modernization of buildings and structures, etc.

The development strategy of the Retail Banking business is to increase the customer base, improve the quality of customer service and increase business efficiency by introducing an optimal product range, a model of retail product sales in branches, a balanced credit policy, optimization of business processes, and improvement of the Bank's technological efficiency. In the group of retail clients, the target PB segment is separately identified, which emphasizes the Bank's selective approach to servicing individuals, including through the connection of this segment through top management and business owners with corporate clients, cooperation with which is key for the Bank. The Bank sees mortgage lending as one of the priority areas of lending to individuals.

Investment business includes activities in the interbank and capital markets.

The strategic objectives of the treasury direction in 2024-2026 are:

- ✓ efficient management of immediate and current liquidity;
- ✓ managing the Bank's foreign currency position;
- ✓ providing quality services to the Bank's clients in transactions in the interbank foreign exchange market of Ukraine and the international foreign exchange market;
- ✓ efficient management of the securities portfolio;
- ✓ providing the Bank with cash resources (including as part of the activation of transactional business);
- ✓ providing customers with cash resources (development of its own collection service);
- ✓ compliance with payment discipline and fulfillment of the NBU's standards and requirements;
- ✓ establishing a balance between profit, risk and liquidity.

Interbank transactions will be carried out primarily to generate trading income from operations on the interbank market and the international currency market, as well as to manage the Bank's immediate and current liquidity, taking into account risks and costs, to ensure the Bank's solvency and timely fulfillment of its obligations to customers and counterparties.

The Bank is an active participant in the interbank credit and foreign exchange markets and has a reputation as a reliable partner, which is confirmed by the awards of international financial organizations.

In the period 2024-2026, the Bank plans to expand the number of foreign counterparties (banks and financial companies) in the international foreign exchange market, which in turn will lead to an increase in the volume of transactions with foreign counterparties on more favorable terms for the Bank compared to transactions on the interbank market.

To ensure timely fulfillment of agreements with counterparty banks, as well as for the prospects of business development, additional income and expansion of banking services, the Bank's organizational structure has established a collection unit. Accordingly, it provides opportunities:

- ✓ to solve independent and operational tasks arising in the course of work by conducting cash transactions when concluding transactions for the purchase/sale of foreign and national currency in cash at the FX market;
- ✓ expansion of the Bank's services in the course of attracting potential customers to the Bank's services by providing cash collection, transportation and support services for legal entities and individuals;
- ✓ to meet its own needs for cash collection services, including between the Bank's regional divisions;
- ✓ providing services in the collection market to other commercial banks that do not have their own collection units;
- ✓ providing services for arbitrage transactions on margin trading for individuals, etc.

Liquidity will be managed by attracting and placing resources in the interbank market, conducting foreign exchange transactions and optimizing correspondent account balances.

4. Information on the conclusion of derivative contracts or transactions with derivative securities by the issuer (except for those concluded / performed by a person conducting central counterparty clearing activities within the framework of its central counterparty clearing activities), if this affects the assessment of its assets, liabilities, financial position and income or expenses

In 2023, the Bank did not enter into any transactions with derivative securities.

The Bank uses hedging as a method of risk mitigation, which consists in identifying a hedged item and matching it with an appropriate hedging instrument. Its essence is to offset losses from the hedged item with gains from the hedging instrument arising from the same conditions or events.

The Bank provides for insurance as a method of risk mitigation (transfer of a share) mainly for risks with potentially significant losses with low probability of occurrence or risks that are under the Bank's limited control.

However, during the reporting year, the Bank did not apply the above risk mitigation methods to transactions with derivative contracts, as they lead to a decrease in income from transactions: if conditions or events are favorable for the hedged item, any gain will automatically be offset by losses from the hedging instrument.

The Bank maintains prudent policies with respect to price risk, credit risk, liquidity risk and/or cash flow risk, and other risks.

5. Corporate Governance Report of BANK ALLIANCE JSC

5.1. Information on the entity corporate governance code

The Code of Corporate Governance of BANK ALLIANCE JOINT STOCK COMPANY contains the rules that guide the Bank in the formation, operation and improvement of its corporate governance system, including in the process of managing risks arising in banking activities, strategic management and implementation of statutory tasks.

The Code of Corporate Governance of BANK ALLIANCE JOINT STOCK COMPANY is posted (published) on the official website of the Bank (link to the text source: https://alliancebank-prod.s3.amazonaws.com/corporate_managements/documents/000/000/047/original/Kodeks_korporat_yvnoho_upravlinnia_AKTsIONERNOHO_TOVARYSTVA_%C2%ABBANK_ALIaNS%C2%BB.pdf?1700829890)

The Corporate Governance Code in the latest version was adopted by the decision of the Extraordinary Remote General Meeting of Shareholders of the Bank, Minutes No. 4/2023 of 10 November 2023, drawn up on 17 November 2023.

5.2. Information on the entity's corporate governance practices applied in addition to the requirements set forth by law

	Compliance with the practice³⁶ (Yes/No)	Description of current practice/justification for deviation
1. 1.		
The entity's charter and/or internal documents define the goal of creating long-term sustainable value in the interests of the entity and its stakeholders	Yes	No variations
2. Shareholders and stakeholders		
Shareholder rights	Yes	No variations
Rights of minority shareholders	Yes	No variations

The Bank, its employees (including managers) did not deviate from the provisions of the Corporate Governance Code of BANK ALLIANCE JOINT STOCK COMPANY in their work.

The Bank does not apply corporate governance practices beyond the requirements set by law.

5.3. Information about the general meeting of shareholders (participants) and a general description of the decisions taken at such meetings

The General Meeting is the supreme management body of the Bank. The powers of the General Meeting, the procedure for its preparation and holding are determined by the laws of Ukraine, the Bank's Charter and the Regulations on the General Meeting of Shareholders.

The procedure for preparing and holding the General Meeting ensures equal treatment of all shareholders and protection of their rights, regardless of their residence and the number of shares they hold.

The stages of convening and preparing the General Meeting enable shareholders to properly prepare for participation in it, get a full picture of the Bank's activities and make informed decisions on the agenda.

The Bank makes reasonable efforts to organize the General Meeting in such a way that participation of shareholders does not involve large material and time costs, ensuring equal treatment of all shareholders, regardless of the number of shares held and their residence.

Information related to the General Meeting shall be disclosed by the Bank in the manner prescribed by the laws of Ukraine.

The procedure for registering shareholders for participation in the General Meeting, holding it and summarizing its results do not create obstacles for the participation of shareholders and their representatives in the General Meeting and guarantee equal opportunity for shareholders to participate.

There were no facts of convening but not holding the Bank's General Meeting of Shareholders in 2023.

The regular annual General Meeting of Shareholders and all extraordinary General Meetings of Shareholders were held remotely in accordance with the requirements stipulated by the Procedure for Convening and Holding Remote General Meetings of Shareholders approved by the decision of the National Securities and Stock Market Commission of 06 March 2023 No. 236, taking into account the provisions of the decision of the National Securities and Stock Market Commission "On Determining the Peculiarities of Holding General Meetings of Joint Stock Companies and General Meetings of Participants of Corporate Investment Funds n

The date of the Annual General Meeting of Shareholders (voting closing date) is April 21, 2023.

The Extraordinary General Meeting of Shareholders was convened and held by the Bank:

June 22, 2023;

June 27, 2023;

November 10, 2023;

December 21, 2023;

All meetings were held at the initiative of the Board.

No proposals have been received from any persons to include the issues on the agenda of the general meeting in 2023.

Information on the entity's corporate governance practices applied in addition to the requirements set forth by law	Compliance with the practice³⁶ (Yes/No)	Description of current practice/justification for deviation
Persons entitled to participate in the general meeting shall have the opportunity to receive additional information sufficient to form an informed opinion on all matters to be considered at the general meeting at least 30 days before the date of the meeting	Yes	No variations

Biographical data on candidates to the management bodies, including education and professional experience, shall be disclosed simultaneously with the notice of the general meeting	Yes	No variations
Persons entitled to participate in the general meeting may vote and receive materials related to the general meeting remotely (by means of electronic communication, etc.).	Yes	No variations
The CEO, CFO, a majority of the board members (most non-executive directors of the board) and the external auditor attend the annual general meeting	Yes	No deviations (taking into account the practice of holding meetings remotely)
Persons who are able to participate in the general meeting have the opportunity to ask oral questions regarding the agenda items and receive answers to them	Yes	No variations
Detailed rules for holding general meetings are set out in the charter and/or internal documents	Yes	No variations
The minutes and resolutions of the general meeting (including the number of votes cast for and against each resolution), as well as answers to key questions raised during the general meeting, are disclosed within 5 business days from the date of the general meeting	Yes	No variations
The address of the entity's website shall provide all information necessary for shareholders to facilitate their participation in the general meeting and inform them of the decisions taken during the general meeting	Yes	No variations

Information on the general meeting of shareholders held

Type of general meeting	Ordinary	extraordinary
	X	
Date of the event	April 21, 2023	
How to do it	Survey (remote)	
AGENDA OF REMOTE GMS	DECISION MADE	
1. Consideration of the Report of the Supervisory Board of BANK ALLIANCE JSC on the results of activities for 2022 and approval of measures based on the results of its consideration. Adoption of decisions based on the results of consideration of the Report of the Supervisory Board.	<p>A DECISION ON THE FIRST ITEM ON THE AGENDA:</p> <p>1.1. To approve the Report of the Supervisory Board of BANK ALLIANCE JSC on the results of its activities for 2022. Determine the absence of the need for additional measures.</p> <p>1.2. To recognize the work of the Supervisory Board in 2022 as satisfactory and in line with the purpose and directions of the Bank's activities and the provisions of its constituent documents.</p>	

<p>2. On approval of the Report on Remuneration of the Supervisory Board Members of BANK ALLIANCE JSC for 2022.</p>	<p>DECISION MADE ON THE SECOND ITEM ON THE AGENDA: 2.1. To approve the Report on Remuneration of the Supervisory Board Members of BANK ALLIANCE JSC for 2022.</p>
<p>3. On approval of the Report on Remuneration of the Management Board Members of BANK ALLIANCE JSC for 2022.</p>	<p>DECISION MADE ON THE THIRD ITEM ON THE AGENDA: 3.1. To approve the Report on Remuneration of the Members of the Management Board of BANK ALLIANCE JSC for 2022.</p>
<p>4. On consideration of the conclusions of the audit entity Baker Tilly Ukraine LLC for 2022 and approval of measures based on the results of its consideration.</p>	<p>DECISION MADE ON THE FOURTH ITEM ON THE AGENDA: 4.1 To take note of the Audit Opinion (Independent Auditor's Report) of Baker Tilly Ukraine LLC based on the results of the audit of BANK ALLIANCE JSC for 2022. 4.2. Determine that there is no need to take measures based on the results of consideration of the Audit Report (report of the independent auditor) based on the audit of BANK ALLIANCE JSC for 2022.</p>
<p>5. On approval of the results of financial and economic activities of BANK ALLIANCE JSC for 2022.</p>	<p>DECISION MADE ON THE FIFTH ITEM ON THE AGENDA WAS MADE: 5.1. To approve the results of the financial and economic activities of BANK ALLIANCE JSC for 2022 (set forth in the Management Report (management report) and Financial Statements in accordance with International Financial Reporting Standards).</p>
<p>6. On the distribution of BANK ALLIANCE JSC's profit for 2022.</p>	<p>DECISION MADE ON THE SIXTH ITEM ON THE AGENDA: 6.1. To distribute the profit of BANK ALLIANCE JSC in 2022 in the amount of UAH 76,961,484.17 (seventy-six million nine hundred and sixty-one thousand four hundred and eighty-four hryvnias and 17 kopecks) as follows: UAH 3,848,074.21 (three million eight hundred and forty-eight thousand seventy-four hryvnias and 21 kopecks) profit to be transferred to the reserve fund of BANK ALLIANCE JSC; UAH 73,113,409.96 (seventy-three million one hundred and thirteen thousand four hundred and nine hryvnias and 96 kopecks) profit remains undistributed.</p>
<p>7. On amending the internal regulations</p>	<p>DECISION MADE ON THE SEVENTH ITEM ON THE AGENDA: 7.1. To consider amending the Regulations on Remuneration of Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY and other internal regulations after amending the Bank's Charter in accordance with the requirements of Article 7 of Section XIX. FINAL AND TRANSITIONAL PROVISIONS OF THE LAW OF UKRAINE "ON JOINT STOCK COMPANIES".</p>
<p>8. On entering into refinancing transactions with the National Bank of Ukraine in 2023 (decision on a significant transaction).</p>	<p>DECISION MADE ON THE EIGHTH ITEM ON THE AGENDA: 8.1. In 2023, to allow entering into refinancing transactions with the National Bank of Ukraine for a total amount not exceeding UAH 200,000,000,000.00 (two hundred billion hryvnias 00 kopecks) on the terms and conditions</p>

	<p>offered by the National Bank in accordance with the announced tenders for supporting the liquidity of banks.</p> <p>The decisions of the General Meeting of Shareholders came into force on the date of signing the protocol on the voting results by the counting commission, namely on April 26, 2023.</p>	
URL of the minutes of the general meeting	https://bankalliance.ua/about_bank/shareholders_info/shareholders_remote_meeting#y2023-04-21	
Type of general meeting	Ordinary	extraordinary
		X
Date of the event (date of the end of voting by shareholders)	June 22, 2023	
How to do it	Survey (remote)	
AGENDA OF REMOTE GMS	DECISION MADE	
<p>1. Cancellation of the decision on item 4 of the agenda of the Annual General Meeting of Shareholders of BANK ALLIANCE JSC on consideration of the conclusions of the auditing entity Baker Tilly Ukraine LLC for 2022 and approval of measures based on the results of its consideration, which was adopted at the General Meeting of Shareholders (voting ended on April 21, 2023).</p>	<p>DECISION MADE ON THE FIRST ITEM ON THE AGENDA:</p> <p>1.1. To cancel the decision on item 4 of the agenda of the Annual General Meeting of Shareholders of BANK ALLIANCE JSC (voting ended on April 21, 2023), formalized by Minutes No. 1/2023 of 26 April 2023, from the date of adoption of this decision.</p>	
<p>2. On consideration of the conclusion of the auditing entity Baker Tilly Ukraine LLC for 2022 and approval of measures based on the results of its consideration.</p>	<p>DECISION MADE ON THE SECOND ITEM ON THE AGENDA:</p> <p>2.1. To take note of the Audit Opinion (Independent Auditor's Report) of Baker Tilly Ukraine LLC of May 22, 2023 based on the results of the audit of BANK ALLIANCE JSC for 2022.</p> <p>2.2. To take into account the auditors' opinion, which was finalized and set out in the repeated report for 2022, on the calculation of the fair value of domestic government loan bonds at the date of reclassification of financial assets at fair value through profit or loss to the category of financial assets at amortized cost.</p> <p>2.3. Determine that there is no need for the Bank to take measures based on the results of consideration of the Audit Report (report of the independent auditor) for 2022, given the low risk of loss of investments by BANK ALLIANCE JSC due to the issuer's default, since the issuer of domestic government bonds is the State represented by the Cabinet of Ministers of Ukraine, and the assessment of the fair value of domestic government bonds as of the date of reclassification of financial assets by an independent expert (conclusion No. 192/04/39-23 of 02 May 2023).</p> <p>The decisions came into force on the date of signing the protocol on the voting results by the counting commission, namely on June 27, 2023.</p>	

URL of the minutes of the general meeting	https://bankalliance.ua/about_bank/shareholders_info/shareholders_remote_meeting#y2023-06-22	
Type of general meeting	Ordinary	extraordinary
		X
Event Date (date of the end of voting by shareholders)	June 27, 2023	
How to do it	Survey (remote)	
AGENDA OF REMOTE GMS	DECISION MADE	
1. On increasing the authorized capital of BANK ALLIANCE JOINT STOCK COMPANY by placing additional shares of the existing nominal value at the expense of additional contributions.	<p>DECISION MADE ON THE FIRST ITEM ON THE AGENDA:</p> <p>1.1. To increase the authorized capital of BANK ALLIANCE JOINT STOCK COMPANY from UAH 457,280,000.00 (four hundred fifty-seven million two hundred eighty thousand hryvnias 00 kopecks) to UAH 689,367,090.96 (six hundred eighty-nine million three hundred sixty-seven thousand ninety hryvnias 96 kopecks) by 232,087,090.96 (two hundred and thirty-two million eighty-seven thousand ninety hryvnias 96 kopecks) through placing 8,120,612 (eight million one hundred and twenty thousand six hundred and twelve) ordinary registered shares with a nominal value of UAH 28.58 at the expense of additional contributions.</p>	
2. Adoption of the decision on the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY (with indication of the participants in the placement).	<p>DECISION MADE ON THE SECOND ITEM ON THE AGENDA:</p> <p>2.1. To decide on the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY of 8,120,612 (eight million one hundred twenty thousand six hundred and twelve) ordinary registered shares with a nominal value of UAH 232,087,090.96 (two hundred thirty-two million eighty-seven thousand ninety) and 96 kopecks, without involving an investment underwriting firm in the placement, and to approve the decision to issue shares of BANK ALLIANCE JOINT STOCK COMPANY with the list of persons participating in the placement of the Bank's shares in the process of issue, consisting of the Bank's shareholders as of the date of adoption of this decision (without involving other investors), which is set out in a separate appendix to the Minutes of the Meeting.</p>	
3. Determination of the authorized body of BANK ALLIANCE JOINT STOCK COMPANY, which is granted the authority to: <ul style="list-style-type: none"> • determination (approval) of the share placement price when exercising the preemptive right and placing shares in the course of the issue; • involvement of an investment firm in the placement that performs underwriting or placement activities with the provision of a guarantee, or 	<p>DECISION MADE ON THE THIRD ITEM ON THE AGENDA:</p> <p>3.1. To appoint the Supervisory Board of BANK ALLIANCE JOINT STOCK COMPANY as the authorized body to be empowered to:</p> <ul style="list-style-type: none"> • determination (approval) of the share placement price when exercising the preemptive right and placing shares in the course of the issue; • making a decision on the early termination of the placement of shares in the course of the share issue (if contracts for the planned volume of shares have been concluded with the first owners and the shares have been fully paid for); • approving the results of the share issue; • approval of the report on the results of the share issue; 	

<p>placement activities without the provision of a guarantee;</p> <ul style="list-style-type: none"> • making a decision on the early termination of the placement in the process of issuing shares; • approving the results of the share issue; • approval of the report on the results of the share issue; • decision to refuse to issue shares; • refund of contributions made as payment for shares in case of invalidation of the share issue or failure to approve the results of the share issue by the issuer's body authorized to make such a decision within the time limits established by law, or failure to make/perform state registration within the time limits established by law of amendments to the charter to increase the size of the authorized capital, or in case of a decision to refuse to issue shares; • notifying each shareholder (in case the general meeting does not adopt a resolution on non-use of the preemptive right) who has a preemptive right to purchase shares placed by the joint-stock company of the possibility of exercising such right in accordance with the procedure established by the Law of Ukraine "On Joint Stock Companies"; • Amendments to the decision on the issue of shares in terms of minor parameters of the share issue. 	<ul style="list-style-type: none"> • decision to refuse to issue shares; • refund of contributions made as payment for shares in case of invalidation of the share issue or failure to approve the results of the share issue by the issuer's body authorized to make such a decision within the time limits established by law, or failure to make/perform state registration within the time limits established by law of amendments to the charter to increase the size of the authorized capital, or in case of a decision to refuse to issue shares; • notifying each shareholder (in case the general meeting does not adopt a resolution on non-use of the preemptive right) who has a preemptive right to purchase shares placed by the joint-stock company of the possibility of exercising such right in accordance with the procedure established by the Law of Ukraine "On Joint Stock Companies"; • Amendments to the decision on the issue of shares in terms of minor parameters of the share issue.
<p>4. Determination of the authorized persons of BANK ALLIANCE JOINT STOCK COMPANY to whom the powers are granted:</p> <ul style="list-style-type: none"> • take actions to ensure that shareholders exercise their preemptive right to purchase shares in respect of which the decision to issue shares has been made; 	<p>DECISION MADE ON THE FOURTH ITEM ON THE AGENDA:</p> <p>4.1. To appoint Yuliia Frolova, Management Board Chairman of BANK ALLIANCE, as the Bank's authorized representative to whom the powers are granted:</p> <ul style="list-style-type: none"> • take actions to ensure that shareholders exercise their preemptive right to purchase shares in respect of which the decision to issue shares has been made; • take actions to ensure the placement of shares; • take actions to implement the mandatory redemption of shares from shareholders who exercise the right to demand that the Bank repurchase their shares.

<ul style="list-style-type: none"> • take actions to ensure the placement of shares; • take actions to implement the mandatory redemption of shares from shareholders who exercise the right to demand that the Bank repurchase their shares. 	<p>The decisions came into force on the date of signing the protocol on the voting results by the counting commission, namely on June 30, 2023.</p>	
<p>URL of the minutes of the general meeting</p>	<p>https://bankalliance.ua/about_bank/shareholders_info/shareholders_remote_meeting#y2023-06-27</p>	
<p>Type of general meeting</p>	<p>Ordinary</p>	<p>extraordinary</p>
<p>Date of the event (date of the end of voting by shareholders)</p>	<p>November 10, 2023</p>	
<p>How to do it</p>	<p>Survey (remote)</p>	
<p>AGENDA OF REMOTE GMS</p>	<p>DECISION MADE</p>	
<p>1. On amendments to the Charter of BANK ALLIANCE JSC and approval of its new version.</p>	<p>DECISION MADE ON THE FIRST ITEM ON THE AGENDA:</p> <p>1.1. To amend the Charter of BANK ALLIANCE JOINT STOCK COMPANY and approve it in a new version.</p> <p>1.2. To authorize the Management Board Chairman of BANK ALLIANCE JSC (or the person acting as Management Board Chairman) to sign the new version of the Charter and to take all necessary actions for state registration of the new version of the Charter of BANK ALLIANCE JOINT STOCK COMPANY.</p>	
<p>2. On amending the internal regulations and approving their new version.</p>	<p>DECISION MADE ON THE SECOND ITEM ON THE AGENDA:</p> <p>2.1. To approve amendments to the By-Laws of BANK ALLIANCE JSC and to set forth in a new wording:</p> <ul style="list-style-type: none"> - Corporate Governance Code of BANK ALLIANCE JOINT STOCK COMPANY; - Regulations on the General Meeting of Shareholders of BANK ALLIANCE JOINT STOCK COMPANY; - Regulations on the Supervisory Board of BANK ALLIANCE JOINT STOCK COMPANY; - Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY. 	
<p>3. On the cancellation of decisions taken by the extraordinary remote general meeting of shareholders of BANK ALLIANCE convened on 27 June 2023 (Minutes No. 3/2023 of 27 June 2023, drawn up on 30 June 2023).</p>	<p>DECISION MADE ON THE THIRD ITEM ON THE AGENDA:</p> <p>3.1 To cancel the resolutions adopted by the extraordinary remote general meeting of shareholders of BANK ALLIANCE JSC convened on 27 June 2023 (Minutes No. 3/2023 of 27 June 2023, drawn up on 30 June 2023).</p> <p>The decisions came into force on the date of signing the protocol on the voting results by the counting commission,</p>	

	namely on November 17, 2023.	
URL of the minutes of the general meeting	https://bankalliance.ua/about_bank/shareholders_info/shareholders_remote_meeting#y2023-11-10	
Type of general meeting	Ordinary	extraordinary
		X
Date of the event (date of the end of voting by shareholders)	December 21, 2023	
How to do it	Survey (remote)	
AGENDA OF REMOTE GMS	DECISION MADE	
1. On increasing the authorized capital of BANK ALLIANCE JOINT STOCK COMPANY by placing additional shares of the existing nominal value at the expense of additional contributions.	<p>DECISION MADE ON THE FIRST ITEM ON THE AGENDA:</p> <p>1.1. To increase the authorized capital of BANK ALLIANCE JOINT STOCK COMPANY from UAH 457,280,000.00 (four hundred fifty-seven million two hundred eighty thousand hryvnias 00 kopecks) to UAH 691,636,000.00 (six hundred ninety-one million six hundred thirty-six thousand hryvnias 00 kopecks) by placing 8,200,000 (eight million two hundred and sixty-six thousand) shares.) by UAH 234,356,000.00 (two hundred and thirty-four million three hundred and fifty-six thousand hryvnias 00 kopecks) by placing 8,200,000 (eight million two hundred thousand) ordinary registered shares with a nominal value of UAH 28.58 at the expense of additional contributions.</p>	
2. Adoption of the decision on the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY (with indication of the participants in the placement).	<p>DECISION MADE ON THE SECOND ITEM ON THE AGENDA:</p> <p>2.1. To resolve on the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY of 8,200,000 (eight million two hundred thousand) ordinary registered shares with a nominal value of UAH 234,356,000.00 (two hundred thirty-four million three hundred fifty-six thousand hryvnias 00 kopecks) without involvement of an investment underwriting firm.), without involving an investment underwriting firm in the placement, and to approve the Resolution on the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY with the list of persons participating in the placement of the Bank's shares in the process of issue, consisting of the Bank's shareholders as of the date of adoption of this resolution (without involving other investors), which is set out in a separate appendix to the Minutes of the Meeting.</p>	
3. Determination of the authorized body of BANK ALLIANCE JOINT STOCK COMPANY, which is granted the authority to:	<p>DECISION MADE ON THE THIRD ITEM ON THE AGENDA:</p> <p>3.1. To appoint the Supervisory Board of BANK ALLIANCE JOINT STOCK COMPANY as the authorized body to be empowered to:</p> <ul style="list-style-type: none"> • determination (approval) of the share placement price when exercising the preemptive right and placing shares in the course of the issue; • making a decision on the early termination of the placement of shares in the course of the share issue (if contracts 	
• determination (approval) of the share placement price when exercising the preemptive right and placing shares in the course of the issue;		

<ul style="list-style-type: none"> • involvement of an investment firm in the placement that performs underwriting or placement activities with the provision of a guarantee, or placement activities without the provision of a guarantee; • making a decision on the early termination of the placement in the process of issuing shares; • approving the results of the share issue; • approval of the report on the results of the share issue; • decision to refuse to issue shares; • refund of contributions made as payment for shares in case of invalidation of the share issue or failure to approve the results of the share issue by the issuer's body authorized to make such a decision within the time limits established by law, or failure to make/perform state registration within the time limits established by law of amendments to the charter to increase the size of the authorized capital, or in case of a decision to refuse to issue shares; • notifying each shareholder (in case the general meeting does not adopt a resolution on non-use of the preemptive right) who has a preemptive right to purchase shares placed by the joint-stock company of the possibility of exercising such right in accordance with the procedure established by the Law of Ukraine "On Joint Stock Companies"; • Amendments to the decision on the issue of shares in terms of minor parameters of the share issue. 	<p>for the planned volume of shares have been concluded with the first owners and the shares have been fully paid for);</p> <ul style="list-style-type: none"> • approving the results of the share issue; • approval of the report on the results of the share issue; • decision to refuse to issue shares; • refund of contributions made as payment for shares in case of invalidation of the share issue or failure to approve the results of the share issue by the issuer's body authorized to make such a decision within the time limits established by law, or failure to make/perform state registration within the time limits established by law of amendments to the charter to increase the size of the authorized capital, or in case of a decision to refuse to issue shares; • notifying each shareholder (in case the general meeting does not adopt a resolution on non-use of the preemptive right) who has a preemptive right to purchase shares placed by the joint-stock company of the possibility of exercising such right in accordance with the procedure established by the Law of Ukraine "On Joint Stock Companies"; • Amendments to the decision on the issue of shares in terms of minor parameters of the share issue.
<p>4. Determination of the authorized persons of BANK ALLIANCE JOINT STOCK COMPANY to whom the powers are granted:</p>	<p>DECISION MADE ON THE FOURTH ITEM ON THE AGENDA:</p> <p>4.1 To appoint Yuliia Frolova, Management Board Chairman of BANK ALLIANCE JOINT STOCK COMPANY, (or a person acting as the Management Board Chairman) as the authorized person of the Bank to whom the powers are granted:</p>

<ul style="list-style-type: none"> • take actions to ensure that shareholders exercise their preemptive right to purchase shares in respect of which the decision to issue shares has been made; • take actions to ensure the placement of shares; • take actions to implement the mandatory redemption of shares from shareholders who exercise the right to demand that the Bank repurchase their shares. 	<ul style="list-style-type: none"> • take actions to ensure that shareholders exercise their preemptive right to purchase shares in respect of which the decision to issue shares has been made; • take actions to ensure the placement of shares; • take actions to implement the mandatory redemption of shares from shareholders who exercise the right to demand that the Bank repurchase their shares. <p>The decisions of the General Meeting of Shareholders came into force on the date of signing the protocol on the voting results by the counting commission, namely on December 26, 2023.</p>
URL of the minutes of the general meeting	https://bankalliance.ua/about_bank/shareholders_info/shareholders_remote_meeting#y2023-12-21

BANK ALLIANCE JSC did not hold a meeting of bondholders.

Information on the company's corporate governance practices applied in addition to the requirements set forth by law	Compliance with the practice ³⁶ (Yes/No)	Description of current practice/justification for deviation
2) interaction with shareholders		
The Board has approved and disclosed a shareholder relations policy that defines the parameters of the relationship between the company and its shareholders	Yes	No variations
An investor/shareholder relations department (function) was established to respond to investor inquiries and facilitate shareholder participation in the company's management, as well as provide an opportunity for minority shareholders to bring their views to the attention of the board	Yes	No variations
3) acquisitions		
The Board has set out the principles of how it will act in the event of a takeover bid, among other things: a) not to take actions to counteract the takeover without a relevant decision of the general meeting; b) provide shareholders with a balanced analysis of the disadvantages and advantages of any takeover bid; c) the general meeting makes the final decision to approve or reject the takeover bid	Yes	Practical issues of takeovers are not embodied in the Council's documents. The Bank's charter is the governing document.
4) other stakeholders		

The Board has approved and disclosed a stakeholder engagement policy that defines the parameters of the relationship between the company and its stakeholders	Yes	No variations
The company has identified a list of its stakeholders, including those with whom it needs to establish direct interaction	Yes	No variations
The entity discloses a report on aspects of stakeholder engagement	Yes	No variations
3. Supervisory Board³⁷		
Supervisory Board Members are not Supervisory Board Members of more than 3 other legal entities	Yes	No variations
The person keeps records of attendance at meetings of the supervisory board and its committees	Yes	No variations
The company's charter and/or internal documents define and explain the obligation of supervisory board members to perform their functions in good faith and to adhere to the principle of loyalty to the company	Yes	No variations
The Supervisory Board and its members are provided with access to any information they need to perform their duties effectively	Yes	No variations
The Supervisory Board regularly evaluates the performance of the person and the executive body in accordance with the person's goals	Yes	No variations
The company's charter and/or bylaws stipulate that the supervisory board has no right to interfere with the day-to-day management of the company, including issues that fall within the responsibility of the executive body, except in cases of extraordinary circumstances that are duly determined	Yes	No variations
The size and skills of the supervisory board members are appropriate to the needs of the entity, its size and the complexity of its operations	Yes	No variations
The Supervisory Board has determined and regularly reviews the qualification requirements for candidates to the Supervisory Board	Yes	No variations
The selection and appointment of Supervisory Board Members is based on the professional qualities, achievements and compliance of candidates with specific criteria, as well as the need for periodic renewal of the composition	Yes	No variations
The company has a formalized procedure for	Yes	No variations

vetting candidates for the supervisory board, which includes, among other things, verification of integrity, conflict of interest, competence, skills and experience of the candidate		
The selection procedure shall include the possibility of engaging external advisors and/or an open search process	Yes	No variations
The supervisory board develops succession plans for Supervisory Board Members and the executive body	Yes	No variations

³⁷ Not to be filled in by a person with a one-tier management structure.

The Supervisory Board approved the policy on diversity of the Supervisory Board and the Executive Body	Yes	No variations
Representatives of one of the genders make up at least 40% of the supervisory board	Yes	No variations
Independent Supervisory Board Members shall constitute at least half of its total membership	Yes	No variations
Supervisory Board members receive an induction training after their election, which covers, among other things, the following: a) duties, functions and areas of responsibility of the supervisory board members; b) independence, including independence of thought; c) the procedure of the supervisory board; d) liability issues; e) the question of a person's strategy; f) the person's policies, including ethics, conflict of interest and corruption prevention; g) reporting and control systems, including internal and external audits; h) the role of the supervisory board committees	Yes	No variations
The supervisory board develops a training plan that defines the issues on which its members need to undergo additional training	Yes	No variations
Chairman of the Supervisory Board elected from among independent members	No.	The Supervisory Board Chairman of the Bank is a shareholder
The Supervisory Board Chairman is provided with the opportunity to communicate with shareholders, including majority shareholders	Yes	No variations
The functions of the Supervisory Board Chairman are defined in the company's internal documents	Yes	No variations

The position of corporate secretary was created and appointed	Yes	No variations
1) committees of the supervisory board		
The Supervisory Board has established committees and approved internal documents governing their activities	Yes	No variations
The Audit Committee is composed of independent Supervisory Board Members with financial knowledge, industry experience and expertise in accounting, auditing, control and risk management	Yes	No variations
Members of the audit committee are not members of other committees of the supervisory board	Yes	No variations
The Nomination Committee is composed of independent Supervisory Board Members with knowledge of human resources management and skills in finding professionals for the Supervisory Board and the Executive Body	No.	No Nomination Committee has been established
The Remuneration Committee is composed of independent Supervisory Board Members who have knowledge of the practices of determining remuneration and encouraging effective performance.	No.	No remuneration committee has been established
The majority of the risk committee is made up of independent members	No.	No risk committee has been established
4. 4. Executive body³⁸		
The executive body develops the company's strategy, which is approved by the Supervisory Board.	Yes	No variations
The Supervisory Board determines key performance indicators for the Executive Body to track progress in achieving the individual's goals	Yes	No variations
The executive body regularly reports to the Supervisory Board on the progress in implementing the person strategy	Yes	No variations
The Executive Body shall inform the Supervisory Board Chairman of any significant events that occurred between meetings of the Supervisory Board	Yes	No variations
5. Board of Directors³⁹		
The report of the board of directors contains an assessment of its activities, information on the internal structure, procedures used in decision-making by the board of directors, including		The Bank's management structure is two-tiered

information on the impact of the board of directors' activities on the company's financial and economic activities		
The Board of Directors consists of non-executive directors, the majority of whom are independent directors		
Representatives of one of the genders make up at least 40% of the board of directors		
The position of the head (chief executive officer) of the entity and the Board Chairman of directors are separated		
The rights and responsibilities of executive directors and non-executive directors, as well as non-executive directors, are clearly defined in the company's internal documents		
The Board of Directors has established the Nomination, Remuneration and Audit Committees, whose terms of reference and procedures are defined by internal regulations and whose majority are comprised of non-executive directors		
The majority of the Nomination, Remuneration, and Audit Committees are comprised of independent non-executive directors		
6. 6.		
The remuneration of the members of the Board and the executive body is determined on the basis of and is in line with market indicators in the industry for this type of person	Yes	No variations
The amount of remuneration for the executive body is related to the person's performance	No.	No variations
The remuneration of the members of the Board (non-executive directors) is fixed and does not depend on the achievement of financial targets	Yes	No variations
7. Information disclosure and transparency		
The entity has approved and published a disclosure policy that defines the information to be disclosed by the entity	Yes	No variations

The Board supervises the executive body in the preparation of financial statements and ensures that the company's financial statements are prepared	Yes	No variations
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in accordance with applicable laws and international financial reporting standards		
The company's website address contains a separate section dedicated exclusively to corporate governance issues	Yes	https://bankalliance.ua/about_bank/corporate_management
8. Control system and ethical standards		
The company has an internal control system in place that meets the model of the "three lines of defense" concept	Yes	No variations
The Board has internal control mechanisms for the entity, being able to engage an internal auditor and an external auditor	Yes	No variations
The compliance and risk management function reports to the Board	Yes	No variations
A risk management policy was approved in the face of	Yes	No variations
A declaration of risk appetite has been approved	Yes	No variations
The Board reviews the risk management report	Yes	No variations
A code of ethics was approved and published	Yes	No variations
The individual is provided with the opportunity to report illegal or unethical behavior anonymously and securely	Yes	No variations
A policy on corruption prevention was approved and published	No.	
The company has approved and published a conflict of interest policy covering such issues: a) conflict of interest, prevention and management of conflicts of interest; b) related party transactions; c) insider trading; and d) abuse of office	Yes	No variations
9. Assessment of corporate governance		
A formalized procedure for annual self-assessment of the board members	Yes	No variations
Based on the results of the annual	Yes	No variations

self-assessment of the board members, an action plan is developed to improve the efficiency of the board members and corporate governance practices		
Every three years, a comprehensive assessment of the corporate governance system is carried out with the involvement of an independent external expert	No.	No variations

5.4. Personal composition of the Issuer's Board and Management Board, their committees, information on meetings held and a general description of the decisions taken, as well as reports of the Board and Management Board

SUPERVISORY BOARD

Personal composition of the Board and its committees

Name of the Board member ⁴⁶ , term of office in the reporting period		Board Audit Committee
Pavlo SHCHERBAN	Board Chairman	√
Andrii KOZLENKO	Board Member Shareholder Representative	-
Mykhailo NEHRYCH	Board Member Independent Director	X
Durdona KADIROVA	Board Member Independent Director	-
Valentyna KOBLYANSKA	Board Member Independent Director	√

Information about the meetings of the board and a general description of the decisions taken

Number of board meetings in the reporting period:	
of which are ocular:	51
of which are part-time:	0
Description of key decisions of the board:	<ul style="list-style-type: none"> • on the status of implementation of the Bank's Strategy for 2023-2025; • approval of the Work Plans of the Board for 2023, the Board

	<p>Audit Committee, and the Bank's Internal Audit Service for 2023;</p> <ul style="list-style-type: none"> • on approval of the Bank's Budget, the Budget of the Council and control units for 2023; • on classifying a number of banking transactions as ordinary business activities; <ul style="list-style-type: none"> • on active operations within the Board's competence; • on the results of audits by the Internal Audit Service; • control over the activities of the Management Board (reports on the implementation of the budget, strategy, targets, and fulfillment of the Board's instructions); • reviewing reports on compliance risk and the Bank's internal control system; • review of management reporting on risk positions; • on certain financial monitoring issues; • convening and organizing general meetings of shareholders; • approval of decision-making authority limits; • approving the Bank's internal documents within the competence of the Board; • selection of an independent appraiser; • approval of the Organizational Structure of BANK ALLIANCE JSC; • approval of the personal distribution of functions and powers of the Chairman and members of the Bank Management Board; • Approval of internal regulations on the Management Board, committees of the Bank's Board, risk management, compliance, internal audit and other structural units directly subordinated to the Bank's Board, • controlling the mandatory disclosure of information in accordance with the requirements of the law and NBU regulations <p>In addition, in 2023, the Board made decisions on other issues within the Board's competence.</p>
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Information on the meetings of the Board's committees and a general description of the decisions taken

	Board Audit Committee
Number of meetings of the board committee in the reporting period:	21
of which are full-time:	21
of which are part-time:	0
Description of the key decisions of the board committee:	<ul style="list-style-type: none"> - Consideration of the Report on the activities of the Audit Committee of the Supervisory Board of BANK ALLIANCE JSC for the first half of 2023. - Consideration and discussion of the results of audits. - Consideration of the Report on the status of implementation, including the failure of the Management Board and heads of the Bank's divisions to implement recommendations (proposals) to eliminate violations and shortcomings in the Bank's activities identified in the audit for the first half of 2023. - Consideration of amendments to the Audit Plan for 2023.

	<ul style="list-style-type: none"> - Consideration of the Performance Reports and conducting audits by the Bank's Internal Audit Service in Q2 and Q3 2023. - Consideration of the Report on the review of the interim condensed financial statements of BANK ALLIANCE JSC, which is submitted to the National Securities and Stock Market Commission upon registration of the issue, or the issue and prospectus of certain types of securities, or the report on the results of the placement of shares for the months ended March 31, 2023 (for the 1st quarter of 2023). - Regarding the results of the tender for the selection of an audit entity to provide services for the statutory audit of the Bank's financial statements and the selection of LLC "Kreston Ukraine" as the audit company that will conduct the statutory audit of the annual financial statements of BANK ALLIANCE JSC for 2023. - On providing recommendations to the Bank's Board to approve the terms of the agreement concluded with the audit firm for the audit of BANK ALLIANCE JSC's financial statements for 2023, setting the amount of payment for services. - On determining the audit entity to review the Bank's interim financial statements for 9 months of 2023.
<p>Assessment of the independence of audit entities providing statutory audit services⁵¹</p>	<p>The independence of the audit entities was assessed as part of the review of the received tender proposals for the selection of the audit entity to provide services for the statutory audit of the Bank's financial statements for 2023 and was taken into account when preparing the report on the conclusions of the selection procedure.</p>

Report of the Council

1) Assessment of the Board's composition, structure and activities

The Council is a collegial body that protects the rights of depositors, other creditors and shareholders of the Bank within the competence defined by the Charter and the requirements of the law. The Bank's Council does not participate in the day-to-day management of the Bank, but oversees the Bank's management, as well as controls and regulates the activities of the Management Board.

The Board acts in accordance with the requirements of the law, the Charter, and the Regulations on the Bank's Board approved by the General Meeting. The issue of convening, holding and making decisions by the Board is regulated by the requirements of the law. The Charter, the Regulation on the Bank's Council.

In its activities, the Board is governed by the Laws of Ukraine "On Banks and Banking Activities", "On Joint Stock Companies", the laws of Ukraine, regulations of the National Bank of Ukraine, the Bank's Charter, resolutions of the General Meeting, as well as the Regulations on the Supervisory Board of BANK ALLIANCE JSC.

The competence of the Board is determined by the legislation of Ukraine, the Bank's Charter and the Regulations on the Supervisory Board of BANK ALLIANCE JSC.

By resolution of the General Meeting, the Board may delegate powers within the competence of the General Meeting, except for those that fall within the exclusive competence of the General Meeting in accordance with the laws of Ukraine.

The members of the Board shall have the right, in particular (but not limited to):

- Participate in meetings of the Bank's Management Board.
- Receive complete, accurate and timely information about the Bank necessary to perform its functions. To get acquainted with the Bank's documents, receive copies thereof, as well as copies of documents of the Bank's structural units.
- To demand the convening of extraordinary meetings of the Board.

The members of the Council are obliged, in particular (but not limited to):

- To act in the interests of the Bank in good faith, reasonably and in good faith, and not to exceed his/her authority. The obligation to act in good faith and reasonably means the need

to exercise good faith, prudence and due care that a person in a similar position would exercise in similar circumstances.

- To be guided by and comply with the current legislation of Ukraine, the Bank's Charter, the Regulations on the Supervisory Board of BANK ALLIANCE JSC and other internal documents of the Bank in its activities.
- To implement the resolutions adopted by the General Meeting and the Board of the Bank.
- Personally participate in regular and extraordinary General Meetings, in meetings of the Board and in the work of the Board's committees (it is prohibited to delegate your own powers to another person). To notify in advance of the inability to participate in the meetings of the Board and indicate the reason for the absence.
- To comply with the Bank's rules and procedures for entering into related party transactions (conflict of interest), major transactions, and transactions with related parties.
- To comply with all the rules established by the Bank related to the regime of circulation, security and storage of restricted information.
- Not to disclose banking and commercial secrets, confidential and insider information that became known in connection with the performance of the functions of a Board Member to persons who do not have access to such information.
- Immediately (within one business day from the date of loss of the Bank's shareholder status) notify the Board of the loss of the Bank's shareholder status.
- Provide the Bank with information about itself and its related parties in a timely manner and in full, which, in accordance with the requirements of the legislation of Ukraine, is submitted to the National Bank of Ukraine, the National Securities and Stock Market Commission and other state authorities, and notify the Bank of any changes in the information provided within 5 business days from the date of such changes.
- The members of the Bank's Council may not be members of the Bank Management Board, as well as hold other positions in the Bank under the terms of an employment agreement (contract) or provide services to the Bank in accordance with a civil law contract.

The organizational form of the Council's work is a meeting. Meetings of the Board shall be held as necessary, but at least once a quarter. Meetings of the Board for Ordinary year shall be planned and approved by the Board in advance. Meetings of the Board shall be convened at the initiative of the Board Chairman or at the request of one of the members of the Board, heads of control units, the Management Board Chairman of the Bank, one of the members of the Bank Management Board or the National Bank of Ukraine.

2) Assessment of the competence and efficiency of each Board Member, including information on his/her activities as an officer of other legal entities or other activities - paid and unpaid.

Candidates nominated for election to the Board must have an impeccable business reputation.

All members of the Bank's Board have a university degree and extensive experience in the areas necessary to ensure effective decision-making in the Bank's core business areas.

All members of the Bank's Board are constantly improving their knowledge and skills based on their professional and managerial experience by participating in professional events: annual forums, thematic seminars, conferences, etc.

The members of the Board meet the requirements of the Ukrainian legislation regarding the Bank's managers in terms of business reputation and professional suitability, jointly possess the knowledge, managerial and professional experience necessary for the Bank's Board to exercise its powers, to properly understand the Bank's areas of activity, and have the experience and skills to effectively manage the Bank (risk management, finance, retail and corporate business, information technology, investment activities, and corporate governance).

The members of the Board have no conflict of interest. Sufficient time is available to perform the functions, taking into account the responsibilities of each Board Member. All members of the Board have an impeccable business reputation. The activities of the Board members comply with the standards of business practice and professional ethics.

The effectiveness of the Board's work is due to the high level of organization of the Board's work, the optimal frequency of the Board's meetings, as well as the availability of sufficient time for the effective performance of the Board members' duties. At the meetings of the Board, a large amount

of time was devoted to discussing issues, including the analysis of the Bank's current financial position and development strategy.

As a result of the Board's work, an effective degree of interaction between the Board and the Bank Management Board is noted and, as a result, the financial/management reports provided meet the requirements of completeness, timeliness and clarity of presentation, availability of the necessary internal documents, and effectiveness of protection of the interests of shareholders, depositors and other participants in corporate relations.

3) Assessment of the independence of each of the independent members of the Bank's Board.

Independent members of the Bank's Board:

Board Member	Nehrych Mykhailo Mykhailovych
Board Member	Kadirova Durdon Lukmanivna
Board Member	Kobylianska Valentyna Andriivna

All independent members of the Bank's Board meet the requirements of Article 73 of the Law of Ukraine "On Joint Stock Companies" regarding independence, namely, they are members of the Board who are not influenced by other persons in the decision-making process while performing their duties as an independent Board Member.

4) Assessment of the competence and efficiency of each of the board committees, their functional powers. At the same time, the Board Audit Committee should separately indicate information on its conclusions regarding the independence of the external audit of the company, in particular the independence of the auditor (audit firm);

The Audit Committee of the Supervisory Board (hereinafter referred to as the Committee) was established to preliminarily study and prepare for consideration at the Board meetings issues within its competence.

The Committee consists of 3 members of the Board, including 2 independent members. The Committee is chaired by an independent Board Member who has the appropriate education and qualifications.

Committee (Board)

Audit Committee	Chairman of the Committee	Nehrych Mykhailo Mykhailovych
	Member of the Committee	Shcherban Pavlo Pavlovych
	Member of the Committee	Kobylianska Valentyna Andriivna

The purpose of the Committee is to assist the Board in overseeing the completeness and reliability of financial statements, the reliability and effectiveness of the internal control system, and the independence of external and internal audit.

The Committee's powers include:

- Preparing materials for the Board meetings and reporting to the Board on issues within the Committee's scope of authority and responsibility;
- monitoring the process of preparing financial statements and the financial performance of the Bank;
- monitoring the Bank's implementation of accounting policies, current significant high-quality accounting practices, including calculations and disclosures of financial statements;
- monitoring the integrity of the Bank's financial statements and any official statements related to the Bank's financial results;
- Overseeing the internal control system,
- reviewing reports of the Internal Audit Service,
- selection and interaction with the external auditor, as well as monitoring compliance with legal requirements and internal procedures.

During the reporting year, the Committee held meetings to review the results of audits and the status of implementation of recommendations based on their results, the report on the assessment of the internal control system, reports of the Internal Audit Service, and others, including the assessment of the independence of audit entities that were considered as part of the tender for the selection of an audit entity to provide services for the statutory audit of the Bank's financial statements for 2023 and were an integral part of the selection procedure.

The tasks assigned to the Committee in 2023 were fully accomplished. The Committee's activities are sufficient and satisfactory.

Assessment of the competence of each Board Member

Competence means that the members of the Board have a sufficient level of knowledge, skills, professional and managerial experience that allow them to successfully solve problems, make informed decisions, and ensure effective control over the Bank's activities, the approved Bank Development Strategy and the functions assigned to them.

A sufficient level of knowledge, skills, professional and managerial experience of the Bank's Board members allows the Board to successfully solve problems, make informed decisions, and ensures effective control over the Bank's activities in general, taking into account the functions assigned to it.

In accordance with the requirements of Article 42 of the Law of Ukraine "On Banks and Banking Activities", the Regulation on Bank Licensing approved by Resolution of the National Bank of Ukraine No. 149 of 22 December 2018, Methodological Recommendations on Organization of Corporate Governance in Ukrainian Banks approved by the Resolution of the Board of the National Bank of Ukraine No. 814-rsh of 03 December 2018, the Bank conducted an annual audit of compliance with the requirements of the legislation of Ukraine of the members of the Bank's Board, and of the independent director - for compliance with the requirements for independence.

As a result of the audit of the compliance of the Board members with the legal requirements and the independent directors with the independence requirements, it was concluded that the Board members meet the legal requirements and the independent directors meet the independence requirements.

Table of competencies of the Bank's Board members

Surname, full name, patronymic of a member of the bank's board/management board, position	Evaluation criterion	Risk management	Finance.	Retail and corporate business	Security	Information technologies	Dealing with distressed assets	Investment activities	Treasury	Corporate governance	Other key activities based on the bank's strategy and business model	
1	2	3	4	5	6	7	8	9	10	11	12	
Shcherban Pavlo Pavlovych, Supervisory Board Chairman (shareholder)	Education	X	X	X	-	-	X	X	X	X		
	Experience.	Management	X	X	X	-	X	X	X	X		
		professional	-	X	X	-	-	X	X	X	X	
Nehrych Mykhailo Mykhailovych, Supervisory Board Member (Independent Director)	Education	-	X	-	-	-	X	X	-	X		
	Experience.	managerial	X	X	X	X	X	X	X	X	X	
		professional	X	X	X	X	-	-	X	X	X	
Kozlenko Andrii Ihorovych, Supervisory Board Member (Shareholder Representative)	Education	X	X	X	-	-	X	-	X	X		
	Experience.	managerial	X	X	X	-	-	X	X	X	X	
		professional	X	X	X	-	-	X	X	X	X	
Kobylanska Valentyna Andriivna, Supervisory Board Member (Independent Director)	Education	X	X	X	-	-	X	X	X	X		
	Experience.	managerial	X	X	X	X	X	X	X	X	X	
		professional	X	X	X	X	-	X	X	X	X	

Surname, full name, patronymic of a member of the bank's board/management board, position	Evaluation criterion	Risk management	Finance.	Retail and corporate business	Security	Information technologies	Dealing with distressed assets	Investment activities	Treasury	Corporate governance	Other key activities based on the bank's strategy and business model
1	2	3	4	5	6	7	8	9	10	11	12
Durdona Lukmanovna Kadirova, Supervisory Board Member (Independent Director)	Education	X	X	X	-	-	X	X	X	X	
	Experience.	managerial	X	X	X	-	X	X	X	X	X
		professional	X	X	X	-	X	X	X	X	X

5) Evaluation of the Board's performance in achieving its goals:

In 2023, the priority goals of the Bank's Board were:

- protecting the rights of depositors, other creditors and shareholders of the Bank;
- security and financial stability of the Bank;
- Compliance of the Bank's activities with the legislation and standards of professional associations applicable to the Bank;
- implementing the Bank's Development Strategy for 2023-2025 and ensuring the viability of the business model;
- ensuring the organization and monitoring of the effectiveness of the bank's internal control system, risk management system and compliance control;
- ensuring the reliability (continuity) of operations;
- ensuring the effective organization of corporate governance;
- adherence to the Bank's corporate values.

Other tasks for the Council in 2023 include the following:

- monitoring the Bank's liquidity and capital adequacy;
- implementing an effective process for managing distressed assets;
- monitoring compliance with the Strategy, Budget and achievement of the Bank's planned financial performance indicators in 2023;
- determining and approving the risk management strategy and policy, as well as risk management procedures;
- control over the elimination of deficiencies identified by regulatory authorities, including the National Bank, which supervise the Bank's activities within their competence;
- preventing and resolving cases of conflicts of interest in the Bank;
- monitoring compliance with the Code of Conduct (Ethics) and identifying cases of violations of the Code of Conduct (Ethics) by the Bank's employees, reviewing the results of the study of their causes and taking measures to prevent such events in the future, etc.

At the beginning of 2023, to ensure the fulfillment of the goals and objectives, the Board developed and approved the Meeting Plan for 2023, which was fully implemented.

The duties, responsibilities and interaction of the Bank's Board and Management Board are clearly defined and documented in the Bank's Charter and internal documents, which facilitates the proper exercise of their powers by the Board and Management Board.

For the purpose of effective management of the Bank, in 2023, the Board held regular meetings with the Chairman and members of the Bank Management Board, heads of control units to discuss and make decisions aimed at achieving both short-term and long-term goals and based on the results of regular and detailed analysis of the Bank's activities, discussing ways to improve and increase the level of efficiency of the Bank's activities.

During 2023, the control units (Risk Management, Compliance and Internal Audit), which are subordinated to the Bank's Board, exercised control, objective and independent assessment of the Bank's activities, ensured the reliability of reporting, and fulfillment of the Bank's obligations.

For the Board to properly perform its functions, the Management Board and control units provided management reports at intervals determined by the Bank's internal documents, which included information on the Bank's liquidity position, capital adequacy, implementation of the Bank's strategy and business plan, status of implementation of the Bank's activity plans approved by the Board, compliance with the budget and planned financial indicators, significant changes in the Bank's activities, current risk profile (by type of risk and in general), compliance with the laws and regulations of Ukraine, etc. In 2023, the Bank's Board did not receive information from the Management Board and control units on adverse events and unforeseen risks that affect or may affect the Bank's operations.

During 2023, the Bank's Board changed the Bank's organizational structure to ensure compliance with the size, specifics of the Bank's activities, nature and scope of banking and other financial services, and the Bank's risk profile.

In the current year, the Bank's Board reviewed and approved the Bank's internal documents, taking into account the effectiveness of their previous versions and the need to improve them, including with the participation of the Management Board and control units to ensure improvement of the internal control system as part of the corporate governance system and risk management system.

The Bank has adequate and sufficiently effective internal control over the Bank's activities. To control the Bank's activities, the internal control system is monitored on an ongoing basis. Continuous monitoring allows to quickly identify and correct deficiencies in the internal control system. To coordinate the work on creating an effective control system, the Bank has a separate unit - the Compliance Department.

In order to facilitate the Bank's achievement of its goals in terms of ensuring the efficiency and effectiveness of financial activities (including the preservation of assets), reliability of financial and statistical reporting, and compliance with the requirements of the current legislation of Ukraine, the Bank pays special attention to the functioning of an effective internal control and audit system that minimizes the risk of errors and violations.

It should also be noted that the Bank's Board was responsible for the comprehensiveness, adequacy and effectiveness of the bank's risk management system through the risk management strategy approved by the Board and the declaration of the bank's risk exposure, which the bank is able to maintain to achieve its business goals, and the compliance of the bank's risk profile with the risk appetite level approved by the Board. The internal audit service and an independent external auditor are responsible for reviewing and assessing the effectiveness of the risk management system.

The Board of the Bank assesses the effectiveness of the organization of corporate governance in the Bank. Based on the results of the assessment, it was determined that the organization of the Bank's corporate governance system is effective, consistent with the size, specifics of the Bank's activities, the nature and scope of banking and other financial services, the Bank's risk profile and the Bank's systemic importance.

In 2024, the Council will continue to :

- Improving the organization of the corporate governance system;
- Ensuring an effective risk management system;
- Implementation of effective internal control procedures;
- Ensuring the Bank's compliance with the requirements of the laws of Ukraine, regulations of the National Bank of Ukraine and other regulatory authorities, internal documents, including those on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction; organizing information security in the Bank.

6) Information on the internal structure of the board, procedures used in its decision-making, including an indication of how the board's activities have led to changes in the financial and economic activities of the company.

The composition of the Board covers all areas of the Bank's activities over which the Board exercises control and meets the requirements of Ukrainian legislation and regulations of the NBU, as well as the size, specifics of the Bank's activities, the nature and scope of banking and other financial services, and the Bank's risk profile.

The Chairman and members of the Board are elected by the shareholders during the General Meeting for a term of three years and take office after their approval by the National Bank of Ukraine. If the National Bank of Ukraine does not notify the Bank of its decision on the approval of the Chairman or a Board Member after the deadline for reviewing the package of documents submitted by the Bank, the candidate shall be deemed to be approved for the respective position.

In 2023, the composition of the Council did not change.

The General Meeting of Shareholders of BANK ALLIANCE JSC on 26 November 2021 (Minutes No. 3/2021) decided to elect members of the Board for a term of 3 (three) years.

	Position	NAME	
Board quantitative composition as of	Board Chairman	Pavlo SHCHERBAN	Shareholder
	Board Member	Andrii Kozlenko	Shareholder Representative
	Board Member	MYKHAILO NEHRYCH	Independent Director
	Board Member	Durdona KADIROVA	Independent Director

November 26, 2021	Board Member	VALENTYNA KOBLYANSKA	Independent Director
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The procedures used by the Board in making decisions are effective and sufficient, and the interaction between the Board and the Management Board and heads of the Bank's control units was at an acceptable level.

The Bank pays considerable attention to the quality and professional work of its control units. In accordance with the laws and regulations of the NBU and in order to minimize risks, control units are subordinated to and report to the Bank's Board.

The Chairman of the Bank's Board leads and organizes the work of the Bank's Board and is responsible for its effective operation. The Chairman of the Bank's Board ensures a clear division of responsibilities among the members of the Bank's Board and effective exchange of information between them.

The following criteria were used to assess the performance of each Board Member:

- quality of preparation of issues by each member of the Bank's Board for consideration at the meetings;
- level of participation in discussions of the main aspects and directions of the Bank's activities;
- regular participation in the Board meetings;
- ability to analyze information;
- understanding of their own responsibilities as a Board Member;
- ability to work in a team;
- ability to defend their own independent opinion;
- competence;
- availability of sufficient time for the Board members to perform their duties effectively.

During the meetings of the Board, an open discussion and free exchange of views between the members of the Board and an appropriate level (completeness) of consideration of all issues are ensured. The Board of the Bank ensures that its decisions based on the results of consideration/analysis/discussion are properly documented and monitors their implementation.

All meetings of the Board were duly constituted - at least half of the members of the Board participated in all meetings. All decisions were made within the powers defined and established by the Bank's Charter and the Regulations on the Supervisory Board of BANK ALLIANCE JSC.

In the reporting year 2023, the Board fully fulfilled its duties of controlling and regulating the Bank's activities and acted within the framework of the current legislation and the Bank's Charter.

The result of the Board's work in 2023 is the successful implementation of the Bank's Strategy for 2023-2025, improvement of a comprehensive, adequate and effective system of internal control and risk management to which the Bank is exposed in its activities, including strengthening the role of the Board in the Bank's risk management system, improvement and development of the corporate governance system in the Bank, and compliance with the Bank's Code of Conduct (Ethics).

Information about Management Board
Personal composition of the collegial executive body and its committees

Name of the member of the executive body ⁵³ , term of office in the reporting period	Chairman/Deputy Chairman of the executive body	Chairman/member of the committee of the executive body ⁵⁴			
		Name of the committee - Credit Committee	Name of the Committee - Assets and Liabilities Management Committee	Name of the committee - Tariff Committee	Name of the committee - Operational Risk Management Committee
Frolova Yuliia Mykolaivna (01.01.2023-31.12.2023)	X	V			
Burkytsia Viktor Hryhorovych (01.01.2023-31.12.2023)	Y	X			
Chumak Oleksandr Oleksandrovyh (01.01.2023-31.12.2023)	Y	V	X	V	
Paliura Vitalii Volodymyrovych (01.01.2023-31.12.2023)	Y		X		
Bocharov Serhii Viktorovych (01.01.2023-31.12.2023)	Y				
Drahin Oleksandr Vitaliiiovych (01.01.2023-09.12.2023)	Y		X		V

Information on the meetings of the collegial executive body and a general description of the decisions taken

1	2
Number of meetings of the Management Board in the reporting period	119
Of which full-time:	
Of which part-time:	119
Description of key decisions of the collegial executive body	<ul style="list-style-type: none"> • approval of the Bank's internal documents within the competence of the Management Board; • making decisions on approving active transactions within the scope of the Management Board's authority; • establishing committees and working groups of the Bank's Management Board and amending their composition; • reviewing reports of structural units and committees of the Bank's Management Board on the work performed;

	<ul style="list-style-type: none"> • changes to the Bank's organizational structure and staffing; • setting limits on the authority of the Credit Committee and on the independent decision-making of individual officers; • reviewing reports on the results of monitoring the internal control system and compliance risk; • bonuses for the Bank's employees; • preliminary review of the Bank's draft budget, strategy and business plan; • approving measures based on the results of the Internal Audit Service's reports; • approval of the package of basic reports to the interim financial report, etc; • reviewing management reports on the status of major risks; • approving limits on repo transactions; • other organizational issues.
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1) Assessment of the executive body composition, structure and activities

In accordance with the Charter of BANK ALLIANCE JSC, the Management Board is the executive body of the Bank.

In accordance with clause 14.3. of the Bank's Charter, the Management Board shall be appointed by the Bank's Board of not less than 3 (three) persons and shall consist of the Chairman, his deputies and members of the Management Board.

In accordance with clause 14.3. of the Bank's Charter, the Management Board shall be appointed by the Bank's Council in the number of at least three (3) persons and shall consist of the Chairman, his deputies and members of the Management Board.

During 01 January 2023 - 08 December 2023, the Bank Management Board consisted of 6 (six) members:

1. Yuliia Frolova, Management Board Chairman, took office on 29 December 2018.
2. Viktor Burkytsia, First Deputy Management Board Chairman, took up his duties on 08 November 2017.
3. Oleksandr Chumak, Deputy Management Board Chairman, Management Board Member, took up his duties on December 03, 2020.
4. Vitalii Paliura, Deputy Management Board Chairman, Management Board Member, took up his duties on 02 December 2020.
5. Deputy Management Board Chairman, Management Board Member Sergii Bocharov took up his duties on January 4, 2021.
6. Oleksandr DRAHIN, Director of the Information Technology Department, Management Board Member, took office on January 18, 2022, and terminated his powers on December 09, 2023 (Minutes of the Supervisory Board No. 44 of November 30, 2023).

During 09 December 2023 - 31 December 2023, the Bank Management Board consisted of 5 (five) members:

1. Yuliia Frolova, Management Board Chairman, took office on 29 December 2018.
2. Viktor Burkytsia, First Deputy Management Board Chairman, took up his duties on 08 November 2017.
3. Oleksandr Chumak, Deputy Management Board Chairman, Management Board Member, took up his duties on December 03, 2020.
4. Vitalii Paliura, Deputy Management Board Chairman, Management Board Member, took up his duties on 02 December 2020.

5. Deputy Management Board Chairman, Management Board Member Sergii Bocharov took up his duties on January 4, 2021.

1) Evaluation of competence and efficiency of the head and deputy heads/chairmen and members of the collegial executive body.

All members of the Bank's Management Board have a university degree and meet the qualification requirements for business reputation and professional suitability.

The members of the Management Board have no conflict of interest.

Each Management Board Member has sufficient time to perform his or her duties, taking into account the responsibilities.

The members of the Management Board have the skills to defend their views and influence the collective decision-making process, as well as the ability to effectively oversee the decisions made by the Management Board and their implementation.

All members of the Management Board have an impeccable business reputation, which is characterized by the absence of material and/or systematic violations of banking, currency, tax, financial services, financial monitoring, financial instruments, joint stock companies and capital markets legislation; the absence of default on financial obligations, as well as compliance of the Management Board members with the standards of business practice and professional ethics.

The competence of the Management Board means that the members of the Management Board have a sufficient level of knowledge, skills, professional and managerial experience to successfully solve problems, make informed decisions, and ensure effective management and control over the Bank's activities in general, taking into account the functions and tasks assigned to the Management Board.

The members of the Bank Management Board jointly possess the knowledge, skills and experience necessary for the Bank Management Board to exercise its powers, to properly understand the areas of the Bank's activities for which the members of the Management Board are jointly responsible, and also have the experience and skills to effectively manage the Bank, in particular in the following areas: risk management, compliance control, corporate governance, financial accounting and reporting, information technology and security management, business management of the Bank (all types of activities), article

A sufficient level of knowledge, skills, professional and managerial experience of the members of the Bank Management Board allows the Management Board to successfully solve problems, make informed decisions, and ensure effective management and control of the Bank's activities in general, taking into account the functions assigned to the Management Board.

The activities of the Bank's Management Board resulted in positive changes in the Bank's financial and economic activities in 2023, taking into account the martial law in Ukraine.

In 2019, the Bank's Management Board Chairman was appointed Chief Information Security Officer (CISO), who ensures that the bank's information security is up to date:

- strategic guidance on the Bank's information security;
- determining the directions of the Bank's information security development and their compliance with the Bank's development strategy;
- compliance of information security measures with the needs of business processes/banking products;
- control over the implementation of information security measures in the Bank;
- management of the Bank's information security management system.

Table of competencies of the Management Board members

Surname, full name, patronymic of a member of the bank's board/management board, position	Evaluation criterion		Risk management	Finance	Retail and corporate business	Security	Information technology	Dealing with distressed assets	Investment activities	Treasury Department	Corporate governance	Other key activities based on the bank's strategy and business model
1	2		3	4	5	6	7	8	9	10	11	12
Frolova Yuliia Mykolaivna, Management Board Chairman	Education		X	X	X	-	-	-	X	X	X	-
	Experience	managerial	X	X	X	X	X	X	X	X	X	-
		professional	X	X	X	-	-	X	X	X	X	-
Burkytsia Viktor Hryhorovych, First Deputy Management Board Chairman, Management Board Member	Education		-	X	-	-	-	-	X	-	-	-
	Experience	managerial	X	X	X	-	-	X	X	X	X	-
		professional	X	X	X	-	-	X	X	X	X	-
Paliura Vitalii Volodymyrovych, Deputy Management Board Chairman, Management Board Member	Education		-	X	-	-	X	-	-	-	-	-
	Experience	managerial	-	X	X	-	-	-	X	X	X	-
		professional	X	X	X	-	-	X	X	X	X	-
Chumak Oleksandr Oleksandrovych, Deputy Management Board Chairman, Management Board Member	Education		-	X	X	-	-	X	X	X	-	-
	Experience	managerial	X	X	X	-	-	X	X	-	X	-
		professional	-	X	X	-	-	X	-	X	X	-
Bocharov Serhii Viktorovych, Deputy Management Board Chairman, Management Board Member	Education		-	X	-	-	-	-	X	-	-	-
	Experience	managerial	-	X	X	-	X	X	X	X	X	-
		professional	X	X	X	-	X	-	-	-	-	-

2) Evaluation of the executive body's fulfillment of its goals

The competence of the Management Board, in particular (but not limited to), includes resolving all issues related to the management of the Bank's day-to-day operations, except for issues that fall within the exclusive competence of the General Meeting and the Board of the Bank:

- Ensuring preparation of the Bank's draft budget, strategy and business plan for approval by the Bank's Board;

- Implementation of the Bank's strategy and business plan;

- determining the form and establishing the procedure for monitoring the Bank's activities;

- Implementation of the risk management strategy and policy approved by the Bank's Board, ensuring the implementation of procedures for identifying, assessing, controlling and monitoring risks;

- Formation of the Bank's organizational structure determined by the Board;

- Developing regulations governing the activities of the Bank's structural and separate divisions in accordance with the Bank's development strategy;

- Approval of the Bank's internal documents, except for those within the competence of the General Meeting and the Board of the Bank;

- Ensuring the security of the Bank's information systems and systems used to store customer assets;

- Informing the Board of the Bank's performance indicators, detected violations of the current legislation of Ukraine, internal regulations of the Bank and any deterioration in the Bank's financial condition or threat of such deterioration, and the level of risks arising in the course of the Bank's activities;

- organizing the implementation of resolutions of the Board and the General Meeting of the Bank;

- preliminary consideration of all issues that are subject to consideration by the General Meeting or the Board in accordance with the Charter, preparation of relevant materials and proposals on these issues;

- determining the list of information constituting trade secrets and confidential information about the Bank's activities, determining the procedure for their use and protection. Ensuring the regime of work with restricted information established in the Bank, in particular, with regard to the preservation of banking secrecy, trade secrets and confidential information;

- resolving issues related to the day-to-day management of the Bank's operations, its separate divisions, ensuring the fulfillment of their tasks and compliance with the Bank's overall budget (estimate);

- ensuring the development of a distressed asset management strategy and operational plan, ensuring the implementation of the distressed asset management strategy and the execution of the operational plan;

- making decisions on writing off financial instruments and receivables from the Bank's balance sheet at the expense of provisions, as well as fixed assets or other assets within the limits of authority established by the Board;

- approval of the staffing table and changes to it within the budget approved by the Board;

- approval of the personal composition of the Bank's standing boards/committees, commissions, appointment of their heads and deputy heads and resolution of organizational issues related to their activities in accordance with the regulations approved by the Management Board;

- resolving other issues related to the management of the Bank's day-to-day operations, except for issues within the exclusive competence of the General Meeting and the Board of the Bank.

Information about the meetings held

The organizational form of the Management Board is a meeting. Meetings of the Management Board shall be held in the form of joint presence of the Management Board members in any way possible in accordance with the Regulations on the Bank Management Board, taking into account the martial law in Ukraine.

Resolutions of the Management Board shall be adopted by a simple majority of votes of its members present at the meeting. In case of an equal number of votes, the vote of the Management Board Chairman (or a person acting as such) shall be decisive.

The Chairman and each Management Board Member shall have one vote during voting. A Management Board Member may not transfer the right to vote to other persons.

A Management Board Member who disagrees with the decisions taken at a meeting of the Management Board may submit his/her comments in writing to the Management Board Chairman no later than two business days after the meeting.

In the event of disagreement with the decision of the Management Board, the Management Board Chairman shall have the right to submit the issue under discussion to the Bank's Council. The decision of the Board on such issue is final.

The Management Board makes decisions regardless of the personal interests of the Management Board members. Decisions taken by the Management Board should take into account the interests of all shareholders, taking into account the interests of the Bank and its depositors.

Minutes of the meeting shall be kept at the meeting of the Management Board, which shall be finalized by the Secretary of the Management Board.

The minutes of the Management Board meeting shall be signed by the Management Board Chairman (or a person acting as such) and the Secretary of the Management Board, and the accuracy of the voting results shall be confirmed by the signatures of all members of the Management Board.

General description of the decisions made

In 2023, the Bank Management Board held 119 meetings and made decisions on the following:

- approval of the Bank's internal documents within the competence of the Management Board;
- making decisions on approving active transactions within the scope of the Management Board's authority;
- establishing committees and working groups of the Management Board, amending their composition;
- reviewing reports of structural units and committees of the Bank's Management Board on the work performed;
- changes in the Bank's organizational structure and staffing;
- setting limits on the authority of the Credit Committee and on the independent decision-making of individual officers;
- reviewing reports on the results of monitoring the internal control system and compliance risk;
- bonuses for the Bank's employees;
- preliminary review of the Bank's draft budget, strategy and business plan;
- approving measures based on the results of the Internal Audit Service's reports;
- approval of the package of basic reports to the interim financial report, etc;
- reviewing management reports on the status of major risks;
- approving limits on repo transactions;
- other organizational issues.

All meetings of the Management Board shall be deemed quorate if at least half of the members of the Management Board are present.

All decisions of the Management Board are made only within the powers defined and established by the Bank's Charter and Regulations on the Management Board.

3) Information on how the activities of the executive body led to changes in the financial and economic activities of the person

In accordance with the Strategy of BANK ALLIANCE JSC for 2024-2026 developed by the Bank and approved by the decision of the Supervisory Board (hereinafter - the Board) of 28 December 2023 (Minutes No. 50), the Management Board was assigned a number of tasks. As part of the strategy implementation, the Management Board adhered to the principle of balance between profits and the level of risk assumed by the Bank. This principle allowed the Bank to maintain its financial stability in the face of negative impact of internal and external factors, in particular, those caused by the introduction of martial law in Ukraine, in accordance with the Decree of the President of Ukraine No. 64/2022 "On the introduction of martial law in Ukraine", which has and will have negative

consequences for the economy of the state and is the main challenge to macro-financial stability, and to significantly improve its financial performance.

During 2023, BANK ALLIANCE JSC demonstrated profitable results.

Article title	Reporting year	Previous year
1	2	3
Total Assets	12 408 029	10 119 443
Loans and advances to customers	3 717 686	4 517 027
Customer funds	9 377 065	5 857 145
Equity capital	1 084 857	990 087

Title of the article	Reporting year	Previous year
1	2	3
Net Operating Income	1 120 183	1 273 732
Profit before taxation	122 895	95 521
Profit	94 793	76 985

The military aggression of the Russian Federation and the introduction of martial law throughout Ukraine had a negative impact on the Bank's performance. The total outflow of the loan portfolio in 2023 amounted to UAH 800 million, the increase in customer accounts was UAH 3,520 million, and the increase in net assets was UAH 2,289 million. The Bank's net operating profit decreased by UAH 154 million due to currency transactions.

As of January 01, 2024, the Bank's prudential ratios are met, while the liquidity ratios are as follows: LCR_{IB} - 201.6%, LCR_{VV} - 265.9%, NFSR - 155.4%.

In 2023, the Bank violated the NCR for the period of holding 11 July 2023 - 10 August 2023, while the Bank had a sufficient level of GWA, taking into account investments in the NBU DS (UAH 2,875 million). As of 01 November 2023, the amount of unencumbered government bonds amounted to UAH 1,852 million.

The financial results for 2023 are evidence of the successful work of the Bank's Executive Body and give significant confidence in achieving the Bank's strategic objectives for 2024-2026.

The bank is characterized by a viable business model that allows it to demonstrate outperformance compared to the banking system as a whole.

The key for the Bank in terms of revenue generation is lending to legal entities. The Bank expects that in the medium term, the loan portfolio of both businesses and individuals in the banking system as a whole will continue to grow, which confirms that the Bank's business model is correct.

It is appropriate to conclude that the entity will continue as a going concern for at least another 12 months from the reporting date (not limited to this period).

BANK ALLIANCE JSC is a universal Bank providing a full range of banking services to legal entities and individuals, with an impeccable business reputation. In accordance with the Strategy of BANK ALLIANCE JSC for 2024-2026, approved by the decision of the Supervisory Board (hereinafter - the Board) of 28 December 2023 (Minutes No. 50), the Bank's mission is to create favorable conditions for the development of the Ukrainian economy and stable growth of gross domestic product, maintaining an optimal balance of interests of depositors, customers, shareholders and the Bank itself.

The Bank's authorized capital is UAH 457 million, regulatory capital as of January 1, 2024 in accordance with file #1 amounted to UAH 855 million. The Bank is 100% compliant with all economic standards and currency position limits set by the National Bank of Ukraine.

As of 01 January 2024, the Bank's net assets reached the level of UAH 12.4 billion. The current year's profit amounted to UAH 95 million. The Bank's development is planned, but there is a slowdown in growth rates due to the war, the general downturn in the country's economy, while the Bank continues to maintain a balance between profit and risk. The latter is evidenced by a significantly lower level of overdue debt and non-performing assets of the Bank.

In parallel with business development, the Management Board worked to improve existing business processes, implement new and improve existing practices to build a corporate governance system and risk management system, and develop an information security management system. In particular, in terms of:

1. Risk management

— implementing the requirements of NBU Resolution No. 64 on the organization of the risk management system;

— adherence to a sound risk management strategy, including through an ongoing process of identifying, assessing, monitoring, managing and controlling risks, taking into account the limits of individual transactions;

— introducing a risk management culture by adhering to the Bank's principles, rules and regulations aimed at raising awareness of all employees of the Bank regarding risk acceptance and risk management;

— the Bank's compliance with the established risk appetite indicators and risk limits in accordance with the Risk Appetite Declaration;

— the Bank's compliance with the requirements of the Risk Management Strategy and Policy.

2. Development of corporate governance, including taking into account the requirements of the Methodological Recommendations on the Organization of Corporate Governance in Ukrainian Banks, approved by the NBU Decision No. 814 of December 3, 2018;

— The decisions made by the Management Board in 2023 were aimed at achieving both short-term and long-term goals and were based on the results of regular and thorough analysis of the Bank's activities, discussion of ways to improve and increase the level of efficiency of its operations.

— development of training materials to ensure a constant and continuous learning process to enhance the professional growth and qualification of the Bank's employees;

— Improving and maintaining the Bank's code of conduct (ethics), which reflects the organization of the corporate culture and corporate values of the Bank.

Despite the imposition of martial law in Ukraine, the Management Board timely implemented its planned activities, including the full implementation of the 2023 Meeting Plan. The result of the Management Board's work in 2023 is the successful implementation of the Strategy, improvement of a comprehensive, adequate and effective system of risk management to which the Bank is exposed in its activities, including strengthening the role of the Board in the Bank's risk management system, improvement and development of the corporate governance system in the Bank; the Bank's compliance with its own Code and rules of corporate ethics.

The financial results for 2023 are evidence of the successful work of the Bank's executive body.

**Information on meetings of the Management Board Committees
and a general description of the decisions made**

	Credit Committee	Assets and Liabilities Management Committee	Tariff Committee	Operational Risk Management Committee
Number of meetings of the Management Board Committee in the reporting period				
Of which full-time:	141	129	113	6
Of which part-time:	0	0	0	0
Description of the key decisions of the committee (descriptions are given below)				

As at 31 December 2023, the Bank has 4 Management Board Committees:

- Credit Committee (including the Small Credit Committee);
- Assets and Liabilities Management Committee;
- Tariff Committee;
- Operational Risk Management Committee.

THE COMPOSITION OF THE CREDIT COMMITTEE IN 2023:

CHANGES IN THE COMPOSITION OF THE CREDIT COMMITTEE IN 2023:

**Membership of the Credit Committee from 01 January 2023 to 31 December 2023
(Minutes of the Management Board No. 9 of 31 January 2022)**

Credit Committee Chairman

First Deputy Management Board Chairman

Viktor BURKYTSIA

Deputy Chairman of the Credit Committee

Deputy Management Board Chairman

Oleksandr Chumak

Members of the Credit Committee:

Management Board Chairman

Yuliia FROLOVA

Director of the Documentary and Credit Operations Department

Vladymyr SURAIIEV

Head of the Legal Department

Oksana OSADCHA

Deputy Head of the Banking Security Department

Oleh LIKARENKO

Head of the Risk Control Department

Sergii KRAVCHENKO

As of January 01, 2024, the composition of the Credit Committee of BANK ALLIANCE JSC is as follows:

Chairman of the meeting:

First Deputy Management Board Chairman

Viktor
BURKITSYA

Members of the Credit Committee:

Management Board Chairman

Yuliia FROLOVA

Deputy Management Board Chairman

Oleksandr CHUMAK

Director of Documentary and Credit Operations Department

Vladymyr SURAIIEV

Head of Legal Department

Oksana OSADCHA

Head of Risk Control Department

Sergii KRAVCHENKO

Deputy Head of Banking Security Department

Oleh LIKARENKO

As at January 1, 2024 (for 2023), 141 meetings of the Credit Committee were held and decisions were made on the following:

- setting limits on transactions with counterparty banks;
- provisioning: for active operations, including documentary operations, receivables and derivatives, and provisions for securities transactions;
- granting loans to legal entities;
- granting loans to individuals;
- providing guarantees to legal entities;
- amendments to the loan terms and conditions under the concluded Loan Agreements;
- amendments to the concluded guarantee agreements;
- amendments to bills of exchange avalization agreements;
- accounting for bills of exchange;
- early termination of the guarantee agreement;
- start claim and lawsuit work to recover debts;
- payment of funds on demand;
- payment of insurance indemnity for an insured event;
- setting alarm limits;
- setting a limit on financing in the form of factoring;
- accreditation of the insurance company;
- authorizing the assignment (purchase and sale) of claims under loan agreements;
- granting permission to foreclose on the mortgaged property;
- setting a limit on documentary letters of credit;
- issuance of a documentary letter of credit;
- reversal of the accrued commission under the Loan Agreement with an individual;
- potential/problematic debt on borrowers of BANK ALLIANCE JSC;
- accounting for accrued interest;
- bad debts.

COMPOSITION OF THE SMALL CREDIT COMMITTEE IN 2023

CHANGES IN THE COMPOSITION OF THE SMALL CREDIT COMMITTEE IN 2023:

Membership of the Small Credit Committee from 01 January 2023 to 14 November 2023 (Minutes of the Management Board No. 9 of 31 January 2022)

Small Credit Committee Chairman

Head of Documentary Operations Department

Oleksandr
NEKHOMIAZH

Small Credit Committee Members:

Director of Documentary and Credit Operations Department

Vladymyr SURAIIEV
Sergii KRAVCHENKO

Head of Risk Control Department

Head of Department of documentary support of
operations of the legal department

Natalia PIDHURSKA

Membership of the Small Credit Committee from 15 November 2023 to 22 November 2023 (Minutes of the Credit Committee No. 121 of 14 November 2023)

Small Credit Committee Chairman

Director of Documentary and Credit Operations Department

Vladymyr SURAIIEV

Small Credit Committee Members:

Head of Documentary Operations Department

Artem PATSALA
Sergii KRAVCHENKO

Head of Risk Control Department

Head of department of documentary support of
operations of the legal department

Nataliia PIDHURSKA

**Membership of the Small Credit Committee from 23 November 2023 to 31 December 2023
(Minutes of the Credit Committee No. 124 of 22 November 2023)**

Small Credit Committee Chairman

Director of Documentary and Credit Operations Department Vladymyr SURAIIEV

Small Credit Committee Members:

Head of Documentary Operations Department Artem PATSALA
Head of Risk Control Department Sergii KRAVCHENKO
Head of Legal Department Oksana OSADCHA

As at January 01, 2024, the composition of the Small Credit Committee of BANK ALLIANCE JSC is as follows:

Chairman of the meeting: Director of Documentary and Credit Operations Department Vladymyr SURAIIEV

Members of the Small Credit Committee:

Head of Documentary Operations Department Artem Patsala
Head of Risk Control Department Sergii Kravchenko
Head of Legal Department Oksana Osadcha

As at January 1, 2024 (for 2023), 126 meetings of the Small Credit Committee were held and decisions were made within the scope of the powers granted to the Small Credit Committee:

- providing tender and performance guarantees to legal entities and individual entrepreneurs;
- providing advance payment refund guarantees and payment guarantees to legal entities and individual entrepreneurs;
- opening limits (guarantee lines) for issuing guarantees to legal entities and individual entrepreneurs;
- Amendments to the concluded guarantee agreements.

COMPOSITION OF THE ASSET AND LIABILITY MANAGEMENT COMMITTEE (ALCO) IN 2023

The composition of the ALCO from 25 February 2022 and as of 01 January 2024 is as follows:
(Minutes of the Board No. 20 of 25 February 2022)

ALCO Chairman:

- Deputy Board Chairman - Oleksandr CHUMAK

ALCO Deputy Chairman:

- Board Chairman - Yuliia FROLOVA

ALCO Members:

- Deputy Management Board Chairman - Vitalii PALIURA
- Head of Treasury Department - Serhii KHLIAKIN
- Head of Risk Control Department - Serhii KRAVCHENKO

As at January 01, 2024 (for 2023), 129 meetings of the Asset and Liability Management Committee were held, where the following issues were considered

- Approval and updating of interest rates on deposit products for retail and corporate clients;
- Approval and updating of interest rates on credit transactions for corporate clients and individuals;
- Approval of interest rates on deposit programs, current account balances, terms of placement, etc. for individual clients of the Bank;

- Approval and updating of cash desk limits;
- Other issues.

In general, the work of the Assets and Liabilities Management Committee is coordinated and effective. The Assets and Liabilities Management Committee's activities take into account the key elements necessary for effective work (the quantitative and qualitative composition of the Assets and Liabilities Management Committee, competence, and the process of interaction between the Assets and Liabilities Management Committee and the Bank's structural units and the Management Board were taken into account).

COMPOSITION OF THE TARIFF COMMITTEE IN 2023

In 2023, there were no changes in the Tariff Committee composition.

The Tariff Committee composition from 05 February 2021 - to date (Minutes of the Management Board No. 11 of 04 February 2022)

Tariff Committee Chairman: Deputy Chief Accountant	Rehuretska V.H.
Tariff Committee Deputy Chairman: Head of Risk Control Department	Kravchenko S.A.
Tariff Committee Members: Deputy Management Board Chairman	Chumak O.O.
Head of Operations Department	Ilchenko V.V.
Head of Corporate Business Development Department	Brodskiyii S.Y.
Head of Information Systems Support Division of Information Technology Department	Ivanov O.A.
Director of Documentary and Credit Operations Department	Suraiev V.V.

In 2023, 113 meetings of the Tariff Committee were held to consider the following issues:

- Approval of **standard terms and conditions** for servicing clients - individuals and legal entities (updating existing and approving new tariffs and tariff packages for cash and settlement services for corporate and retail clients, approval of payment card service tariffs);
- approving **individual terms and conditions** for servicing legal entities (as part of cash and settlement services for corporate clients and making transfers in favor of legal entities; approving tariffs for cash and settlement services, cash withdrawals from accounts; buying and selling foreign currency at the FX market and making payments in foreign currency).

OPERATIONAL RISK MANAGEMENT COMMITTEE (ORMC) COMPOSITION IN 2023:

The CSMC composition from 01 January 2023 to 09 April 2023
(Minutes of the Management Board No. 9 of 31 January 2022)

ORMC Chairman: Head of Risk Control Department	Sergii KRAVCHENKO
ORMC Deputy Chairman: Deputy Chief Accountant	Victoriia REHURETSKA
ORMC Members:	

Head of Operations Department	Victoriia ILCHENKO
Head of Legal Department	Oksana OSADCHA
Head of Information Security Department	Vladislav ZIMENKO
Director of Information Technology Department, Management Board Member	Oleksandr DRAHIN

The CSMC composition from 10 April 2023 to 07 December 2023
(Minutes of the Management Board No. 29 of 10 April 2023)

ORMC Chairman: Acting Head of Risk Control Department	Sergii KRAVCHENKO
ORMC Deputy Chairman: Deputy Chief Accountant	Victoriia REHURETSKA
ORMC Members: Director of Retail Business Development	Pavlo MAKAREV
Head of Operations Department	Victoriia ILCHENKO
Head of Legal Department	Oksana OSADCHA
Head of Information Security Department	Vladislav ZIMENKO
Director of Information Technology Department, Management Board Member	Oleksandr DRAHIN

The CGM composition from 08 December 2023 to 31 December 2023
(Minutes of the Management Board No. 3 of 09 January 2024)

ORMC Chairman: Head of Risk Control Department	Sergii KRAVCHENKO
ORMC Deputy Chairman: Deputy Chief Accountant	Victoriia REHURETSKA
ORMC Members: Director of Retail Business Development	Pavlo MAKAREV
Head of Operations Department	Victoriia ILCHENKO
Head of Legal Department	Oksana OSADCHA
Head of Information Security Department	Vladislav ZIMENKO

In 2023, the Operational Risk Management Committee held 6 meetings and considered 15 issues, on which the relevant decisions were made.

The Committee oversees the effective functioning of the operational risk management system, including IT and information security risks at the level of the Bank's divisions, the development of tools for identification, assessment, monitoring and control of operational risks; approval and review of key risk indicators; monitoring compliance with the thresholds of key operational risk indicators and analysis of the causes of violations; participates in the development of procedures and methods for effective management of operational risks.

The following issues were discussed at the committee meetings:

1. Determine and approve the list and levels of critical threats, in accordance with the list, which are used to conduct an information security/cyber risk assessment.
2. Consideration of the report on information security/cyber risk assessment (including residual risks) and approval of the Information Security/Cyber Risk Management Plan.
3. Review of the results of monitoring key control indicators and key indicators of operational risk, including information risk.
4. Determination of the amount of operational risk arising in the bank as a result of military actions in connection with the military aggression of the Russian Federation against Ukraine.
5. Consideration of reporting on operational risks, including IT and information security risks.
6. Conducting and analyzing the results of self-assessment of operational risk in terms of business processes for 2022.

The Secretary of the Committee monitored on an ongoing basis the fulfillment of instructions by the responsible persons adopted at the Committee meetings.

5.5 Information on the presence of a corporate secretary and a report on the results of his/her activities

Information about the corporate secretary and a report on his/her performance⁵⁸

Name	Tetiana Shymanska
RNOKPP ¹⁶	
UNIDO ¹⁷	
Documents regulating the activities of the corporate secretary	Regulations on the corporate secretary OF BANK ALLIANCE JSC
The management body that made the decision to appoint the corporate secretary	Supervisory Board
Date and number of the resolution on the appointment of the corporate secretary	26 March 2019, № 25
Date and number of the resolution on approval of the corporate secretary's report for the reporting period	05 April 2023 No. 14 - for the 1st quarter of 2023; 17 July 2023 No. 26 - for the 2nd quarter of 2023; 09 October 2023 No. 35 - for the 3rd quarter of 2023; 05 January 2024 No. 1 - for the 4th quarter of 2023.
Main provisions of the report on the performance of the corporate secretary for the reporting period	<p>The Corporate Secretary is responsible for the Bank's effective day-to-day interaction with shareholders and other investors, coordination of the Bank's actions to protect the rights and interests of shareholders, maintenance of the effective work of the Board, and performs other functions determined by the legislation of Ukraine and the Bank's Charter. The Bank has introduced the position of Corporate Secretary, who performs functions in accordance with the Regulations on the Corporate Secretary of BANK ALLIANCE JSC, which defines the status, powers, procedure for election, termination of powers and the procedure for the work of the Corporate Secretary of BANK ALLIANCE JSC and the job description.</p> <p>Corporate Secretary at least once a quarter reports to the Bank's Board on his/her work.</p> <p>The report of the corporate secretary shall be in writing and contain information on the status of implementation of resolutions/orders for the relevant period.</p> <p>In 2023, the Corporate Secretary reported to the Board on a quarterly basis on his work. The Board recognized the performance of the Corporate Secretary in 2023 as satisfactory.</p>

5.6. Description of the main characteristics of the Bank's internal control and risk management systems, as well as a list of the Bank's structural units that perform key duties to ensure the operation of the internal control and risk management systems

1	2
The internal control system provides for a model of three lines of defense Yes/No	Yes
Description of the functions of the first line of defense units and a list of key units	<p>The first line of defense of the Bank is its business units and support units. These units carry out:</p> <ul style="list-style-type: none"> - transactions of the Bank and record them and reflect them in the accounting records; - documenting cash transactions, performing their actual execution and reflecting them in the accounting records; - transactions on accounts of the Bank's customers and accounts reflecting the Bank's financial and economic activities; - assessing the authenticity and completeness of the documents provided by the client when obtaining a loan and monitoring the borrower after the loan is granted; - accept risks in the course of their activities and are responsible for the ongoing management of these risks, and implement control measures. <p>Key divisions of the Bank:</p> <ul style="list-style-type: none"> - Branches of the Bank; - Operational management; - Back office management; - Documentary and Credit Operations Department; - Treasury Department; - Department of Investment and Trading Business; - Correspondent Relations and International Settlements Department; - Cash management and control of cash transactions; - The Office of Foreign Exchange Control; - Department of Information Technology; - Card Business Department; - Credit Administration and Monitoring Department; - Accounting and Reporting Department.
List of units and description of functions of the second line of defense units	<p>The Risk Control Department performs the following risk management functions:</p> <ul style="list-style-type: none"> - prepares quarterly risk reports to the Bank's Board; - assesses credit risk; - ensures timely identification, measurement, monitoring, control, mitigation and reporting of material risks; - ensures monitoring and prevention of violations of risk appetite and risk limits, controls the approximation of risk indicators to risk appetite and risk limits and initiates measures to prevent their violations; - continuously analyzes the risks to which the bank is exposed in the course of its activities in order to prepare proposals for making timely and adequate management decisions to mitigate risks; - oversees the valuation of property;

- develops and keeps up-to-date the methodologies, tools and models used by the bank to analyze the impact of various risk factors on the bank's financial position, capital and liquidity;
- conducts stress testing;
- calculates the bank's risk profile;
- prepares conclusions on the risks inherent in new products and significant changes in the bank's operations before they are implemented for management decision-making;
- prepares conclusions on the risks inherent in both new loans and changes to existing loans to make management decisions on granting new loans or amending existing loan agreements;
- develops, implements and monitors the early warning system;
- prepares conclusions for making management decisions on debt settlement of debtors/counterparties;
- participates in the development of the distressed asset management strategy and operational plan and monitors their implementation.

The Compliance Department performs the following functions to manage compliance risk:

- monitors changes in legislation and relevant standards of professional associations applicable to the bank, assesses the impact of such changes on the processes and procedures implemented in the bank, and controls the implementation of relevant changes to internal bank documents;
- organize control over the Bank's compliance with the laws, internal banking documents and relevant standards of professional associations applicable to the Bank;
- controls the compliance risk arising in the bank's relations with customers and counterparties in order to prevent the bank's participation and/or use in illegal transactions;
- ensures the organization of control over the bank's compliance with the standards for timeliness and reliability of financial and statistical reporting;
- ensures management of risks related to conflicts of interest that may arise at all levels of the bank's organizational structure, transparency of the bank's processes and, in case of detection of any facts indicating a conflict of interest in the bank, informs the chief compliance officer;
- controls the absence of a conflict of interest between the bank's executives and the appraisal entity;
- ensures the organization of control over the protection of personal data in accordance with the legislation of Ukraine;
- prepares conclusions on the compliance risk inherent in new products and significant changes in the bank's operations before their implementation to make timely and adequate management decisions;
- prepares conclusions on compliance risk for making credit decisions on loans to related parties;
- controls the bank's compliance with the rules for determining the list of related parties to ensure the integrity and completeness of the process of identifying related parties and controlling transactions with them;
- provides explanations and consultations to the bank's managers at their request on issues related to monitoring the bank's compliance with the laws of Ukraine and relevant standards of professional associations applicable to the bank;
- ensure training and awareness of the bank's employees on compliance with the law, relevant standards of professional

	<p>associations applicable to the bank, risk management culture, including the code of conduct (ethics);</p> <ul style="list-style-type: none"> - ensures the functioning of the risk management system by timely identifying, measuring, monitoring, controlling, reporting and providing recommendations for mitigating compliance risk; - ensures the organization of control over the compliance of the processes for managing distressed assets with the laws of Ukraine and internal bank documents; - monitors the compliance of the compensation and reimbursement system implemented in the bank, as well as the procedures for bringing bank employees to disciplinary responsibility, with the requirements of Ukrainian legislation; - prepares quarterly reports to the Bank's Supervisory Board on compliance risk; - calculates the compliance risk profile; - participates in the investigation of internal and external fraud events.
<p>List of units and description of functions of the third line of defense units</p>	<p>The Internal Audit Service is the third line of defense in the internal control system and provides the following functions:</p> <ul style="list-style-type: none"> – assesses the effectiveness of the Bank's corporate governance organization, internal control system, including risk management system, and their compliance with the Bank's size, complexity, volume, types, nature of operations, organizational structure and risk profile of the Bank, organization of the internal anti-money laundering/anti-terrorist financing system, and anti-money laundering/anti-terrorist financing risk management system; – reviews the Bank's management processes, including the assessment of capital and liquidity adequacy; – checks compliance of the Bank's managers and employees with the requirements of the law and internal regulations of the Bank; – evaluates information technology support for management and operations; – verify the correctness and reliability of accounting records, information, financial and other reports prepared by the Bank, their completeness and timely submission, including to the National Bank, state authorities and management bodies that supervise the Bank's activities within their competence; – reviews the Bank's financial and business activities; – independently assesses the control system implemented by the Bank's management, in particular with regard to: <ul style="list-style-type: none"> ➤ Compliance by the Bank's managers and employees who provide banking and other financial services with the requirements of the laws of Ukraine, including regulations of the National Bank, and the Bank's internal regulations, compliance with qualification requirements and fulfillment of professional duties and rules established by the Bank's Charter and internal documents, including those on compliance and risk management; ➤ identifying and analyzing facts of violations by the Bank's employees of the requirements of the current legislation of Ukraine, professional standards, and internal regulations governing the Bank's activities; ➤ accuracy and timeliness of information provided to public authorities and management bodies that supervise the bank's activities within their competence;

	<ul style="list-style-type: none"> ➤ timeliness of elimination of deficiencies identified by the National Bank and other public authorities and management bodies that supervise the Bank's activities within their competence; – assesses the effectiveness and sufficiency of the Bank's recovery plan (if any); – evaluates the activities of risk management and compliance risk units, committees established by the Bank (hereinafter referred to as the relevant committees) and the quality of risk reports submitted to the Board and Management Board; – reviews and evaluates the processes that support the Bank's operations, including those that carry potential risk and are performed by engaging legal entities and individuals on a contractual basis (outsourcing); – Identifies and checks cases of abuse of authority by the Bank's officials and conflicts of interest in the Bank; – 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; – other functions provided for by the legislation of Ukraine.
Availability of approved document(s) defining the internal control system policy (including the compliance and internal audit system)	Yes
List of key internal documents on the internal control system (including the compliance and internal audit system)	<ul style="list-style-type: none"> - Regulations on the organization of the internal control system in BANK ALLIANCE JSC; - Compliance Risk Management Policy of BANK ALLIANCE JSC ; - Policy on prevention of conflicts of interest of BANK ALLIANCE JSC; - Procedure for preparing and verifying the accuracy of financial, statistical and other risk reporting at BANK ALLIANCE JSC; - Regulations on the organization and conduct of audits by the Internal Audit Service of BANK ALLIANCE JSC; - Methodology for assessing internal control, risk management and corporate governance systems during audits at BANK ALLIANCE JSC
Date and number of the decision to approve the report on the internal control system (including compliance risks)	<p>17 May 2023 No. 17 - for the 1st quarter of 2023; 04 August 2023 No. 28 - for the 2nd quarter of 2023; 10 November 2023 No. 41 - for the 3rd quarter of 2023; 09 February 2024 No. 8 - for the 4th quarter of 2023; (including compliance risks)</p> <p>17 May 2023 No. 17 - for the 1st quarter of 2023; 04 August 2023 No. 28 - for the 2nd quarter of 2023; 30 October 2023 No. 40 - for the 3rd quarter of 2023; 09 February 2024 No. 8 - for the 4th quarter of 2023.</p>
Main provisions of the internal control system report (including compliance risks)	The quarterly Internal Control System Report assesses the quality of the internal control system in a certain period of time, evaluates the implementation of a systematic process of identifying, measuring, monitoring, controlling, reporting and mitigating all types of risks at all organizational levels of the Bank. It also ensures the organization

	<p>of the Bank's activities in compliance with the requirements of the laws of Ukraine, regulations of the NBU, internal bank documents, and standards of professional associations applicable to the Bank. The Report reflects the measures developed to minimize the negative impact and improve the internal control system. Recommendations were provided to the Bank's structural units to improve and maintain an effective internal control system:</p> <p>The compliance risk assessment report includes:</p> <ol style="list-style-type: none"> 1) A list of new products, activities, and processes developed that expose the Bank to significant compliance risk and affect the Bank if implemented, as well as proposals to avoid or mitigate this risk; 2) cases of violations of the requirements of the legislation of Ukraine [tax, banking, consumer protection, labor, antitrust, legislation on prevention and counteraction to legalization (laundering) of proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction, other laws, regulations of the National Bank and other regulatory authorities] and internal bank documents during the bank's activities, as well as sanctions applied to the bank 3) cases of violations of the code of conduct (ethics) by the bank's employees, the results of the study of their causes and measures to prevent such events in the future; 4) cases of inaccurate reporting to regulatory and supervisory authorities, as well as sanctions imposed on the bank; 5) significant changes in legislation and their potential consequences for the bank; 6) analysis of external information on compliance risk (fines imposed on other banks, events that led to deterioration of the reputation of other banks) and their potential consequences for the bank; 7) cases of conflict of interest; 8) results of training of the bank's employees on issues related to the functions of the compliance unit.
<p>Availability of an approved risk exposure declaration Yes/No</p>	<p>Yes</p>
<p>Description of the main provisions of the risk exposure declaration</p>	<ul style="list-style-type: none"> - Identification of material risks that the Bank, based on the specifics of its activities and business model, intends to accept and retain in order to achieve its business goals; - determination of general approaches to risk management that the Bank considers material on an ongoing basis; - Identification of risks that the Bank does not intend to accept and hold to achieve its business objectives and for which a zero risk appetite has been established; - allocation of risk exposure levels; - Setting limits for risk metrics that characterize the level of risks for which it is possible to obtain a quantitative assessment (setting the risk appetite for each type of risk (individual level) and the maximum level of risk acceptable for the Bank, based on the amount of available resources (capital and liquidity needs) and taking into account the need to comply with the NBU requirements, obligations to investors, depositors, creditors and shareholders;

	<ul style="list-style-type: none"> - a list of risk appetite indicators and an algorithm for calculating risk appetite indicators for the main types of risk; - levels of risk appetite indicators for the main types of risk; - a list of limits for the main types of risk, based on the approved levels of risk appetite for the main types of risk; - identifying factors and limitations on risk taking; - principles of reporting on compliance with risk appetite indicators; - control and responsibility for compliance with the levels of risk appetite and requirements set forth in the BANK ALLIANCE JSC Risk Appetite Declaration;
Name of the body that made the decision to approve the risk exposure declaration	Bank Board
Date and number of the decision to approve the risk exposure declaration	17 April 2023 № 16

Main characteristics of the activity control system

The Bank does not have an Audit Committee.

In accordance with the Charter of BANK ALLIANCE JSC, certain issues related to the Bank's activities fall within the competence of the following management bodies:

General meeting of shareholders	Determining the main areas of activity (strategy)
	Approval of the annual financial report or balance sheet or budget
	Election and termination of powers of the Chairman and members of the Board
	Determining the amount of remuneration for the Chairman and members of the Board
	Deciding on an additional share issue
	Decision-making on repurchase, sale and placement of own shares
Council	Approval of activity plans (business plans)
	Election and termination of powers of the chairman and members of the executive body
	Determining the amount of remuneration for the chairman and members of the executive body
	Decision-making on bringing members of the executive body to property liability
	Approval of the external auditor
	Approval of contracts with a conflict of interest
Executive body	Other issues related to the management of current the Bank's activities, except for issues within the exclusive competence of the General Meeting and the Board of the Bank
Does not fall within the competence of any body	Election and termination of powers of the chairman and members of the audit committee

The Conflicts of Interest Policy provides for the inadmissibility of conflicts of interest: Executives and employees are not allowed to vote on any matter that may cause a conflict of interest.

The provisions on conflicts of interest, i.e. a conflict between the personal interests of an officer or related persons and the obligation to act in the interests of the Bank, are contained in the Policy on Prevention of Conflicts of Interest of BANK ALLIANCE JSC.

The Bank is constantly working to improve the system aimed at minimizing the risk (avoidance) of conflicts of interest in the Bank.

The Bank has the following documents in place to control its activities:

Provision title	Presence
About the general meeting of shareholders	Yes
About the Supervisory Board	
About the executive body	
About the company's shares	
About the officers of the joint-stock company	No.
On the audit committee (or auditor)	
On the procedure for profit distribution	

Shareholders can obtain information about the Bank's activities in the following ways:

	Information is distributed at general meetings	Published in the press, disclosed in the NSSMC's public information database on the securities market	Documents are provided for review directly in the joint-stock company	Copies of documents are provided upon request of the shareholder	Information is posted on the company's own website
Financial statements, performance results	Yes	Yes	Yes	Yes	Yes
Information on shareholders holding 10 percent or more of the authorized capital	Yes	Yes			Yes
Information on the composition of the company's management bodies	Yes	Yes			Yes
Charter and internal documents	Yes		Yes	Yes	Yes
Minutes of general meetings of shareholders after they are held	Yes		Yes	Yes	Yes
Amount of remuneration of officials of a	Yes		Yes	Yes	Yes

joint-stock company					
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Information on the remuneration of officials is provided to shareholders to the extent required by law.

The Bank's financial statements are prepared in accordance with international financial reporting standards.

Information on the number of times per year, on average, the Bank was audited by an independent auditor (audit firm) during the reporting period:

	Yes	No
Not conducted at all		X
Less than once a year		X
Once a year		X
More than once a year	X	

Information on the body that made the decision to approve the independent auditor (audit firm):

	Yes	No
General meeting of shareholders		X
Council	X	
Executive body		X
Other (write down)		

Information on which body initiated the audit committee (auditor) to conduct the last audit:

	Yes	No
On his own initiative		X
On behalf of the general meeting		X
On behalf of the Supervisory Board		X
At the request of the executive body		X
At the request of shareholders holding more than 10 percent of the votes in aggregate		X
Other (write down)		

a) Internal control system

The Bank has established and implemented an effective internal control system based on the division of responsibilities between the Bank's divisions, except for the functions that fall within the exclusive competence of the Bank's Council/Management Board/committees in accordance with the provisions of Ukrainian legislation and regulations of the National Bank of Ukraine.

This distribution is based on the application of the three lines of defense model, namely:

1) the first line of defense is at the level of business units and units supporting the Bank's activities. These units initiate, perform or reflect transactions, take risks in the course of their activities and are responsible for the ongoing management of these risks, and implement control measures;

2) the second line of defense - at the level of the risk management unit and the compliance unit. These units ensure that the Bank's managers are confident that the risk control and management measures implemented by the first line of defense have been developed and are functioning properly;

3) the third line of defense - at the level of the internal audit unit, which independently assesses the effectiveness of the first and second lines of defense and the overall effectiveness of the internal control system.

The Bank has defined in its internal documents the procedures and control measures to be applied by the divisions of each of the three lines of defense.

The Bank has ensured the availability of appropriate employees, equipment, software, and premises that meet the requirements established by the National Bank for the proper functioning of the internal control system.

The Bank implements control procedures:

1) organizationally:

- distribution within the organizational structure of the Bank of powers, duties and responsibilities for internal control between departments, between managers and between employees of the Bank. The subordination, duties, rights and responsibilities of employees are defined in job descriptions;
 - implementing the necessary control procedures and restrictions to ensure the effective functioning of the internal control system;
 - describing in the regulations on subdivisions the control functions performed by each of them;
 - regular assessment of the Bank's risks and control measures;
 - ensuring information security and organizing proper information exchange;
 - monitoring the effectiveness of the internal control system, including assessing its efficiency through audits by the internal audit unit;
- 2) methodologically by describing the internal control system in the internal bank documents, including the frequency and timing of control measures, and the officials responsible for control;
- 3) technologically by automating control procedures in the Bank's information systems, taking into account the Bank's judgment on the economic feasibility of automating such procedures.

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

- 1) creating an appropriate organizational structure;
- 2) defining in the internal bank documents the powers, subordination, accountability, description and distribution of functional duties of persons involved in the functioning of the internal control system, their responsibility and the procedure for interaction.

The norms and requirements for the functioning of the Bank's internal control system are set forth in the Regulation on the Organization of the Internal Control System at BANK ALLIANCE JSC.

The Bank's internal control system is organized as follows:

- *Firstly*, all internal documents of the Bank introduce a procedure for performing certain functions with the final result in the form of a document (receipt, memorial order, contract, order, etc.);
- *Secondly*, the person responsible for internal control checks the availability of documents for transactions and draws conclusions on the compliance of the document with the transaction, verifies the powers of the Bank's employees who perform it and the employees who exercise control (the "Two Hands" principle).

The Bank's internal control is organized according to the following hierarchy:

- control of heads of structural units over the performance of their functional duties by employees in accordance with job descriptions (job descriptions are reviewed as necessary);
- control of the Management Board over the work (activities) of the Bank's structural units (including branches);
- control of the Board over the activities of the Management Board in accordance with the Bank's Charter.

To assess the effectiveness of the internal control system, the Compliance Department takes into account the following criteria:

1) the Bank has an organizational structure of the internal control system, which includes the division of functions between control subjects with the possibility of clearly identifying the persons responsible for performing these functions;

2) availability of regulatory documents:

- principles of building an internal control system;
- Functions and powers of the Bank's employees and its divisions in the internal control system;
- the procedure for interaction and distribution of powers of the Bank's divisions in the implementation of internal control;
- the procedure for identifying deficiencies and organizing reporting on the functioning of the internal control system;
- monitoring the effectiveness of the internal control system;

3) responsibility of each particular employee of the Bank for performing the functions stipulated by his/her job description;

4) coverage of all material transactions and products of the Bank by control measures;

5) compliance of the Bank's policies and procedures with the requirements of the legislation, regulations and administrative acts of the National Bank, internal bank documents, standards of professional associations applicable to the Bank.

5.7. Information on the availability of an approved risk appetite declaration of the Bank, as well as a description of the key provisions of the risk appetite declaration

The Bank's risk tolerance levels are set in accordance with the "Declaration of Risk Appetite of BANK ALLIANCE JOINT STOCK COMPANY", which is approved by the Bank Supervisory Board and reviewed at least once a year (based on the Bank's performance for the year, or in case of significant changes in the Bank's business model, significant changes in the structure and quality of asset and liability portfolios). The Declaration is an integral part of the risk management system, is based on compliance with the break-even principle and is aimed at ensuring sustainable development within the framework of the Bank's Development Strategy and determines the aggregate 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.

As at 01 January 2024, the Bank's tolerance levels for the following risks were set

- credit;
- liquidity;
- interest rate;
- market;
- currency;
- operating room;
- compliance.

Taking into account the changes in regulatory requirements of the regulator in terms of market risks, namely NBU Resolution No. 162 "Procedure for determining the minimum amount of market risk", the Bank is making a test calculation, which will set a certain level of risk tolerance. Also, as part of the amendments, it is planned to revise the established zero tolerance levels (risks that the Bank does not intend to accept and hold to achieve its business objectives), namely for market risks inherent in trading book instruments:

- the risk of default;
- interest rate risk of the trading book;
- credit spread risk;
- volatility risk;
- stock market risk;
- commodity risk.

The Risk Control Department reports to the Board on compliance with the established tolerance levels on a quarterly basis.

The Bank is constantly improving its risk management system to mitigate risks.

As of the reporting date, the Bank complies with all economic standards and limits of its currency position set by the National Bank of Ukraine, including liquidity and capital. Information on the structure of regulatory capital, capital ratios, and significant types of risks is provided in the Annual Financial Statements of BANK ALLIANCE JSC for 2023.

The Bank's risk management strategy defines the methods of risk assessment, limitation and mitigation, as well as the risk management procedure, which reflects the distribution of functions related to risk and capital management between the Council, the Management Board, committees and divisions of the Bank that perform risk management functions.

The purpose of the Strategy is to:

- meeting the expectations of shareholders interested in the Bank's long-term operations and successful functioning, which ensures a return on investment;
- Ensuring the effective functioning of the risk management system, which increases reliability for all stakeholders: the Bank's customers and creditors, employees and others;
- ensuring compliance of the Bank's activities with the requirements of the National Bank of Ukraine.

The Bank's risk management activities include the following key tasks:

- identification and assessment of material risks;
- assessment, aggregation, forecasting and stress testing of the level of material risks;
- establishing mechanisms for managing the structure and volume of risks accepted by the Bank, including setting a system of limits to limit (control) the Bank's risks;
- monitoring and controlling the amount of risk taken, implementing measures to reduce the level of risk taken by the Bank in order to maintain it within the established external and internal limits;
- compliance with the mandatory ratios and restrictions set by the NBU;
- Ensuring efficient allocation of resources to optimize the Bank's risk/return ratio;
- assessing the adequacy of available financial resources to cover material risks;
- capital planning based on the results of a comprehensive assessment of material risks, testing the Bank's resilience to internal and external risk factors, business development strategy guidelines, and NBU capital adequacy requirements;

Preparation of reports and their timely submission to the relevant collegial bodies of the Bank in accordance with the established/agreed-upon formats and deadlines;

- development of the Bank's risk culture and risk management competencies based on the best international practices.

Taking into account the specificity of the risks:

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

The Bank considers them material on an ongoing basis.

For effective risk management and taking into account the need to minimize conflicts of interest between risk taking, limiting and controlling the level of risks, as well as auditing the risk management system, the Bank's organizational structure is formed taking into account the need to distribute functions and responsibilities between the Bank's divisions in accordance with the principle of "3 lines of defense":

- at the level of the Bank's structural units that perform transactions and directly accept risks (front offices) and structural units that record transactions (back offices) - first-level control or line control;
- at the level of the risk management unit and the compliance unit - second-level control;
- at the level of verification and evaluation of the effectiveness of the risk management system by the Internal Audit Service - third-level control.

The subjects of the Bank's risk management system are:

- Bank Supervisory Board;
- Bank Management Board;
- Credit Committee of the Bank Management Board;
- Assets and Liabilities Management Committee of the Management Board;
- Operational Risk Management Committee of the Bank's Management Board;
- Internal audit department;
- Risk management unit;
- Compliance department.
- Business units, including the trading desk and support departments.

The overall risk management strategy of the Bank is determined by the Bank Supervisory Board, while the risk management process is managed by the Bank Management Board. The Risk Control Department ensures the efficiency of the risk management system, while the Compliance Department provides the function of monitoring compliance with regulations (compliance).

The Bank's Supervisory Board in accordance with its functions:

- is responsible for establishing a comprehensive, adequate and effective system for managing the risks to which the Bank is exposed in its activities;
- controls the comprehensiveness, adequacy and effectiveness of the risk management system;
- ensures the operation and control over the effectiveness of the risk management system;

- approves internal bank documents on risk management and monitors their implementation, compliance and timely updating (actualization);
- defines the basic principles of the Bank's organizational structure, risk management information system and internal control that ensure effective risk management;
- approves the Recovery Plan and ensures the performance of functions to restore the Bank's operations;
- approves the list of limits (restrictions) for each type of risk and the procedure for escalating violations of risk limits;
- approves the appointment and dismissal of the heads of the Chief Risk Officer (CRO) and the Chief Compliance Officer (CCO);
- approves the financial support (budget) for the risk management and compliance departments, sets the amount of remuneration for the heads of these departments and monitors their performance/compliance;
- Determines the nature, format and scope of risk information, reviews management reports on risks and, if the Bank's risk profile does not meet the approved risk appetite, immediately decides on the application of adequate risk mitigation measures;
- take measures to prevent conflicts of interest in the Bank, facilitate their settlement and notify the National Bank of conflicts of interest arising in the Bank;
- other functions in accordance with the requirements of the laws of Ukraine, the Bank's Charter, and the Regulations on the Bank Supervisory Board.

The Bank Management Board interacts with the Bank Supervisory Board on risk management issues:

- ensures the development and approval of internal risk management documents;
- ensures preparation and submission to the Bank Supervisory Board of management reports on the risks to which the Bank is exposed, including information on new types of products or significant changes in the Bank's operations;
- prepares and submits to the Bank's Supervisory Board proposals on the need to amend the risk management strategy and policy;
- ensures control over communicating to the relevant structural units and employees of the Bank information on changes to the risk management strategy and policy, other internal risk management documents;
- develops measures to promptly eliminate deficiencies in the risk management system, implement recommendations and observations based on the results of risk assessments, inspections by the internal audit unit, external auditors and supervisory authorities;
- approves the limits for each type of risk in accordance with the list of limits (restrictions) determined by the Bank's Supervisory Board;
- determines the forms and establishes the procedure for monitoring the Bank's activities;
- ensures the security of the Bank's information systems and systems used to store customer assets;
- informs the Supervisory Board about the Bank's performance indicators, violations of the law, internal documents of the Bank and any deterioration in the Bank's financial condition or threat of such deterioration, and the level of risks arising in the course of the Bank's activities;
- provides administrative support to the second line of defense managers, risk management unit and compliance unit in the performance of their functions (ensures organization of their workflow, issues administrative documents to implement decisions of the Bank's Board);
- other functions in accordance with the requirements of the laws of Ukraine, the Bank's Charter, and the Regulations on the Management Board.

In order to control and reduce the level of significant risks, the Bank may decide to hedge risks, including through insurance. In particular, in accordance with the Credit Policy, in terms of credit risk mitigation, the Bank accepts property as collateral for credit transactions in compliance with the principle of preservation, which provides for the existence of an insurance contract for the collateral against loss/damage, the beneficiary of which is the Bank.

In accordance with the Risk Management Strategy, risk exposure management involves setting the Bank's risk tolerance level by determining a system of limits (risk limitation). The decision to conduct any transaction is made only after a detailed and complete analysis of the risks arising from such a

transaction. All transactions are conducted in compliance with internal and/or organizational documents. New transactions involving significant risks are not allowed in the absence of internal and organizational documents or relevant decisions of collegial bodies regulating the procedure for their implementation.

5.8. List of persons who directly or indirectly own a significant shareholding

The owner of the significant participation (including the person exercising control over the financial institution) is a citizen of Ukraine, Oleksandr Sosis, who as at 31 December 2023 owns a stake in the Bank of 89.289006% of the Bank's authorized capital. The owner meets the established requirements of the legislation. In 2023, the Bank did not have any other owners who owned 5% or more of the Bank's shares in the authorized capital. There were no changes in the composition of the Bank's significant shareholders in 2023.

5.9. Information on any restrictions on the rights of participation and voting of shareholders (participants) at the general meeting

The Bank's Charter does not provide for any additional restrictions on the rights of participation and voting at the general meeting of shareholders for holders of ordinary registered shares of the Bank, except for the restrictions provided for by the legislation of Ukraine. The Bank has not placed any preferred shares.

According to the Register of registered securities holders as of December 31, 2023, compiled by the Public Joint Stock Company "National Depository of Ukraine", the total number of shares placed by the Bank is 16,000,000 (sixteen million) ordinary registered shares, the total number of voting shares of BANK ALLIANCE JSC is 15,936,371 (fifteen million nine hundred and thirty-six thousand three hundred and seventy-one) ordinary registered shares, the number of voting shares for which voting rights have been transferred to another person as a result of the restriction of such rights is 0.

The issuer did not initiate and did not have any restrictions on the circulation of the issuer's securities in the reporting period, including the need to obtain consent from the issuer or other persons to alienate such securities.

Restrictions on shareholders' voting at the general meeting may be related solely to the content of the Law of Ukraine "On the Depository System of Ukraine" (shareholders have not entered into an agreement with the depository institution for servicing a securities account on their own behalf and have not transferred their rights to securities to their securities account or their depository institution has ceased operations)."

BANK ALLIANCE JSC did not have any treasury shares in the reporting year.

Information on any restrictions on shareholders' participation and voting rights at the issuer's general meeting held in 2023:

GMS Date	Total number of shares	Number of restricted shares	Grounds for the restriction	Date of restriction occurrence
21 April 2023	16 000 000	93 947	Law of Ukraine "On the Depository System of Ukraine"	11 October 2013
22 June 2023	16 000 000	93 947	Law of Ukraine "On the Depository System of Ukraine"	11 October 2013
27 June 2023	16 000 000	93 947	Law of Ukraine "On the Depository System of Ukraine"	11 October 2013
10 November 2023	16 000 000	63 629	Law of Ukraine "On the Depository System of Ukraine"	11 October 2013
21 December 2023	16 000 000	63 629	Law of Ukraine "On the Depository System of Ukraine"	11 October 2013

The total number of shareholders with restrictions as at 31 December 2023 is 31.

5.10. Procedure for appointment and dismissal of officers. Information on any remuneration or compensation paid to the officials in case of their dismissal during the reporting period

Procedure for election (appointment) and dismissal of members of the Bank's Board.

The Bank's Board is elected by the General Meeting from among the Bank's shareholders, their representatives and independent directors. The Board consists of the Chairman and other members of the Board.

The Chairman and members of the Board are elected by the shareholders during the General Meeting for a term of three years and take office after their approval by the National Bank of Ukraine. If the National Bank of Ukraine does not notify the Bank of its decision on the approval of the Chairman or a Board Member after the deadline for reviewing the package of documents submitted by the Bank, the candidate shall be deemed to be approved for the respective position.

The NBU's approval for the positions of the Council members is not required in such cases:

- re-election of members of the Board to the position held at the time of such re-election/reappointment, if the National Bank of Ukraine has previously approved him/her for such position in the Bank;
- change of the position of the Board members (except for election as an independent director) if the NBU has previously approved him/her for the position on the Bank's Board;
- election/appointment of a member of the Bank's Board to a position if the NBU has previously approved him/her as a candidate for this position and no more than six months have passed since the date of such approval.

The powers of the members of the Board shall be terminated, except for the powers to prepare, convene and hold the annual General Meeting, if the annual General Meeting of the Bank was not held within the period established by the legislation of Ukraine.

Without a decision of the General Meeting, the powers of a Board Member shall be terminated early:

- at its own request and subject to a written notice to the Bank within 14 calendar days;
- in case of inability to perform the duties of a Board Member for health reasons;
- in case of entry into force of a verdict or court decision sentencing him/her to a punishment that excludes the possibility of performing the duties of a Board Member;
- in the event of death, recognition as incapacitated, partially incapacitated, missing, or deceased;
- if the Bank receives a written notice of replacement of a Board Member who is a representative of the shareholder;
- in case the Bank receives a request from the National Bank of Ukraine to terminate the powers of a member of the Chairman or a Board Member due to improper performance of his/her

- functions;
- if the Bank receives a request from the National Bank of Ukraine to replace a Board Member due to the inconsistency of his or her professional suitability and business reputation with the current legislation of Ukraine.

Procedure for appointment and dismissal of members of the Bank's Management Board.

The Management Board Chairman, his deputies and members of the Management Board are appointed by the Bank's Council. The decision on appointment of the Chairman and members of the Management Board shall be taken by a simple majority of votes of the members of the Board participating in the meeting of the Board and the vote of the Board Chairman shall be decisive in case of equal distribution of votes. Voting is held separately for each candidate to the Bank Management Board.

The Management Board Chairman, his deputies and members of the Bank Management Board, based on the duties of each Management Board Member of the Bank, must constantly meet the qualification requirements established by the Law on Banks and Banking Activities and regulations of the National Bank.

The Management Board Chairman of the Bank takes office only after his approval by the National Bank of Ukraine.

The powers of the Chairman, his deputies and members of the Bank Management Board shall be terminated by the decision of the Bank's Board.

5.11. Powers of officials

The Chairman and Members of the Board, in order to exercise the competence of the Board as a whole as a collegial body as defined in Article 13 of the Bank's Charter, have the following powers:

Members of the Council:

- Receive complete, accurate and timely information about the Bank necessary to perform its functions. To get acquainted with the Bank's documents, receive copies thereof, as well as copies of documents of the Bank's structural units;
- within the terms stipulated by the Regulations on the Supervisory Board of BANK ALLIANCE JSC, to receive the agenda and information package for the meetings of the Board;
- demand the convening of extraordinary meetings of the Board;
- in case of disagreement, provide written comments on the Board's decisions or issues previously considered by the relevant Board Committee;
- participate in regular and extraordinary General Meetings;
- to hear reports of the Management Board and officers of the Bank on certain issues of the Bank's activities;
- participate in meetings of the Management Board;
- engage experts to analyze certain issues of the Bank's activities.

The Chairperson of the Board organizes the work of the Board, convenes and presides over the meetings of the Board, organizes the keeping of minutes at the meetings, ensures the storage of the Board's minutes, and has similar powers as the Members of the Board.

The Chairman and Members of the Bank Management Board, in order to exercise the competence of the Management Board as a collective body as defined in Article 14 of the Bank's Charter, have the following powers:

Management Board Chairman:

- without a power of attorney to represent the Bank's interests in relations with any state authorities, enterprises, institutions, organizations of all forms of ownership and public organizations, in all law enforcement and regulatory authorities; to perform any transactions and take all legally significant actions on behalf of the Bank;
- issue powers of attorney on behalf of the Bank;
- convene meetings of the Management Board, determine their agenda and vote at them;
- distribute responsibilities among the members of the Management Board, Deputy Chairmen of

the Management Board and members of the Management Board and determine their functional powers, delegate certain powers to the members of the Management Board and Deputy Chairmen of the Management Board by the members of the Bank Management Board, as well as other employees of the Bank, including on the basis of issued powers of attorney:

- Hire and dismiss employees of the Bank, take incentive measures based on their performance and impose disciplinary sanctions. To approve job descriptions of the Bank's employees;
- issue orders, instructions and give instructions that are binding on all employees of the Bank, including its separate divisions;
- Represent the employer's interests to the labor collective, sign the Collective Agreement on behalf of the administration. To demand the convening of extraordinary meetings of the Bank's Board, to participate in meetings of the Board in an advisory capacity. To participate in the General Meeting;
- Dispose of the Bank's property and funds in accordance with the current legislation of Ukraine and the Bank's Charter;
- to take measures for pre-trial settlement of disputes, sign claims and complaints, sign all documents related to court proceedings of claims and complaints, represent the Bank's interests in courts with all rights granted by law to the plaintiff, defendant, third party in the court proceedings, including to waive claims in full or in part, recognize a claim, change the subject matter of a claim, enter into a settlement agreement, appeal a court decision, submit an enforcement document for collection or issue a power of attorney to another person to perform the relevant actions;
- submit issues related to the Bank's activities to the Management Board, the Bank's Council, and the General Meeting in accordance with the established procedure;
- to submit to the Bank's Board proposals on candidates for election to the Management Board.

All Members of the Bank's Management Board ensure the fulfillment of tasks, decisions of the Bank's Board on the implementation of the risk management system, including the risk management strategy and policy, risk management culture, procedures, methods and other measures of effective risk management.

All Members of the Bank Management Board have powers of attorney:

- receive complete, accurate and timely information necessary to perform their functions;
- make proposals, participate in discussions and vote on the agenda items at the meeting of the Bank Management Board. To submit proposals for improvement of the Bank's activities on issues within the competence of a Management Board Member for consideration by the Management Board Chairman;
- Initiate the convening of meetings, including meetings of the Bank Management Board, and meetings;
- act on behalf of the Bank on the basis of a power of attorney issued by the Management Board Chairman;
- provide written comments on the decisions of the Management Board;
- Require employees of the Bank's subordinate units, in accordance with the organizational structure of the Bank, to perform their duties in a timely and high-quality manner, in compliance with the requirements of the Bank's internal documents. Monitor the fulfillment of assigned tasks by the Bank's subordinate structural units.

5.12. Information on remuneration of the members of the Board, members of the Management Board, and the Bank's influential persons

Information on the Board members remuneration

Management body	Council
Name of the member of the executive	The consent of the Council members was not obtained. Council members forbade disclosure of the name of

body/board of the person	
RNOKPP ¹⁶	
UNIDO ¹⁷	
Position.	
Date of taking office	
The amount of remuneration in national or foreign currency paid (to be paid) in the reporting period and/or the decision to pay which was made in the reporting period	<p>Paid: UAH 4,369,714.68 in national currency in the reporting period They have to pay: UAH 4,369,714.68. The decision to pay was made: In accordance with the agreements with the members of the Board</p>
Forms of payment of remuneration paid and/or to be paid in the reporting period and/or the decision to pay which was made in the reporting period	<p>Paid: UAH 4,369,714.68 in national currency in the reporting period They have to pay: UAH 4,369,714.68. The decision to pay was made: In accordance with the agreements with the members of the Board</p>
The amount of the fixed part of remuneration paid and/or to be paid in the reporting period and/or the decision to pay which was made in the reporting period	<p>Paid: UAH 4,369,714.68 in national currency in the reporting period They have to pay: UAH 4,369,714.68. The decision to pay was made: In accordance with the agreements with the members of the Board</p>
The amount of the variable part of remuneration paid and/or to be paid in the reporting period and/or the decision to pay which was made in the reporting period	No variable part of the remuneration, no variable part was accrued
Performance evaluation criteria used to calculate the variable part of the remuneration	The variable part was not accrued
Information on remuneration or compensation to be paid in the event of dismissal	There are no remuneration or compensation to be paid in case of dismissal in 2023
URL of the website of the person where the	The report on the remuneration of the Board members for 2023 will be submitted to the Annual General Meeting of Shareholders of the Bank

remuneration report is posted	
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Management body	Management Board
Name of the member of the executive body/board of the person	The consent of the Management Board members was not obtained. Members of the management bodies prohibited disclosure of the name
RNOKPP ¹⁶	
UNIDO ¹⁷	
Position.	
Date of taking office	
The amount of remuneration in national or foreign currency paid (to be paid) in the reporting period and/or the decision to pay which was made in the reporting period	Paid: UAH 14,079,108.68 in national currency in the reporting period They have to pay it: UAH 14,079,108.68. The decision to pay was made: In accordance with the agreements with the members of the Management Board
Forms of payment of remuneration paid and/or to be paid in the reporting period and/or the decision to pay which was made in the reporting period	Paid: UAH 14,079,108.68 in national currency in the reporting period They have to pay it: UAH 14,079,108.68. The decision to pay was made: In accordance with the agreements with the members of the Management Board
The amount of the fixed part of remuneration paid and/or to be paid in the reporting period and/or the decision to pay which was made in the reporting period	Paid: UAH 13,830,078.56 in national currency in the reporting period They have to pay it: UAH 13,830,078.56. The decision to pay was made: In accordance with the agreements with the members of the Management Board
The amount of the variable part of remuneration paid and/or to be paid in the reporting period and/or the decision to pay which was made in the reporting period	financial assistance: UAH 35,818.65, the bonus amounted to UAH 213,211.47.
Performance evaluation criteria used to calculate the variable part of the remuneration	In accordance with the Regulations on Bonuses and Allowances for Employees of BANK ALLIANCE JSC
Information on remuneration or compensation to be paid in the event of dismissal	there are no remuneration or compensation to be paid in case of dismissal in 2023
URL of the website of the person where the remuneration report is posted	The report on the remuneration of the Management Board members for 2023 will be submitted to the Board after the Annual General Meeting of Shareholders.

If a member of the governing body has prohibited the issuer from disclosing his or her name, the person shall indicate: "a member of the governing body has prohibited disclosure of his/her name".

If a member of the management body worked for the company on a part-time basis (held several positions) during the reporting period, information on each of such positions shall be indicated.

Information on the remuneration of the Board members

The report on remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY (hereinafter referred to as the Board and the Bank, respectively) based on the results of their activities in 2023 (hereinafter referred to as the Report) is prepared in accordance with the requirements of the Law of Ukraine "On Joint Stock Companies", the Regulation on the Bank's Remuneration Policy approved by the Resolution of the NBU Board of 30 November 2021 No. 153 (as amended), the Charter of BANK ALLIANCE JOINT STOCK COMPANY and the Regulations on Remuneration of Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY adopted by the decision of the General Meeting of Shareholders of the Bank, namely: the date of completion of voting is 10 November 2023, the date of drawing up and signing the Minutes of the Extraordinary Remote General Meeting of Shareholders of BANK ALLIANCE JOINT STOCK COMPANY on 17 November 2023.

The Council is a collegial body that oversees the activities of the Bank's Management Board, protects the rights of depositors, as well as other creditors and shareholders of the Bank.

In 2023, the composition of the Board was as follows.

The General Meeting of Shareholders of BANK ALLIANCE JOINT STOCK COMPANY on 26 November 2021 (Minutes No. 3/2021) decided to elect members of the Board for a term of 3 (three) years. During 2023, there were no changes in the composition of the Board.

	Position	NAME	
Council quantitative composition in 2023	Board	Shcherban Pavlo	Shareholder
	Chairman	Pavlovych	
	Board Member	Kozlenko Andrii Ihorovych	Shareholder representative
	Board Member	Nehrych Mykhailo Mykhailovych	Independent Director
	Board Member	Kadirova Durdona Lukmanivna	Independent Director
	Board Member	Kobylianska Valentyna Andriivna	Independent Director

In accordance with clause 13.3. of the Charter of BANK ALLIANCE JOINT STOCK COMPANY, which came into force on 29 December 2023, the number of members of the Board is 6 (six).

The organizational form of the Council's work is a meeting.

During 2023, there was no untimely or improper fulfillment of obligations to the Bank by a related party, the decision on the transaction with which was made with the support of the Board members.

The procedure and terms of payment of remuneration to the members of the Bank's Management Board shall be determined by the Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY, as well as by a civil law or employment agreement (contract) concluded with a member of the Bank's Management Board.

For the performance of functions and duties as a Board Member provided for in the Regulations on Remuneration of Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY and civil law or employment agreement (contract), the Chairman/Board Member shall be paid monthly remuneration (payment) at the expense of the Bank in the amount provided for in the Bank's budget.

In accordance with the Regulations on the Bank's Remuneration Policy approved by the NBU Board Resolution No. 153 of 30 November 2021 (as amended), the remuneration of the Bank's Board members includes fixed remuneration and variable remuneration.

Remuneration means a material payment in cash and/or a non-monetary incentive for a Board Member, which includes all fixed and/or variable components of remuneration provided for by the terms of the agreement concluded between such Board Member and the Bank and/or the decision of the General Meeting of Shareholders of the Bank (hereinafter referred to as the General Meeting) - for members of the Board;

Fixed remuneration is a component of the remuneration of a Board Member, which:

- is based on predefined criteria;
- shall have a predetermined amount in accordance with the terms of the agreement concluded between the Bank and a Board Member or the Bank's staffing table;
- reflects the appropriate level of professional experience and organizational responsibility, as stipulated in the employee's job description and the terms of the contract concluded with him/her;
- does not depend on the Bank's performance;
- may be revised by amending the agreement or revision in accordance with the legislation of Ukraine;
- may not be reduced, suspended or canceled by the Bank;
- has transparent and clear terms of determination, accrual and payment;
- shall be paid on an ongoing basis throughout the entire period of performance of the Board member's functions in the Bank;
- does not encourage taking risks that are not acceptable under normal circumstances;

Variable remuneration is a component of the remuneration of a Board Member that is not a fixed remuneration.

The terms of a civil law or employment agreement (contract) with the chairman and members of the Board shall specify the amount of remuneration, the term of the agreement (contract), and the terms of payments in connection with early termination of powers.

The term of the contracts corresponds to the term of office of the elected members of the Board.

In accordance with the terms of civil law or employment agreements (contracts) with the members of the Board, the Bank shall pay remuneration (payment) in the national currency of Ukraine - hryvnia and/or foreign currencies by wire transfer to the account of a Board Member specified in the details of the agreement or in a separate written notice (letter) submitted by the Board Member.

When paying remuneration to a Board Member under a civil law or employment agreement (contract), the Bank shall withhold and pay all necessary taxes, duties, and mandatory payments in accordance with the laws of Ukraine that are withheld from the payment of income to individuals (including wages).

There are no peculiarities of the Bank's remuneration policy for the members of the Board compared to the previous financial year.

REMUNERATION OF THE BOARD MEMBERS FOR 2023

Information in accordance with the Regulation on the Bank's Remuneration Policy, approved by the NBU Board Resolution No. 153 of 30 November 2021 (as amended)	
Amounts of remuneration accrued/paid for/prior periods and/or to be paid to the members of the Board based on the results of the financial year under review (in terms of fixed and variable components of remuneration, in cash and in non-cash instruments)	Remuneration structure: the total amount of remuneration (salary) - fixed in cash paid to the members of the Bank's Management Board in 2023 amounted to UAH 4,369,714.68. No variable remuneration and non-monetary instruments were paid to the members of the Board in 2023. There are no remunerations accrued/paid for 2023 in previous periods and/or to be paid to the members of the Board based on the results of 2023 in non-monetary instruments. There is no amount of unpaid remuneration to the members of the Board in 2023.

Terms of remuneration payment (actually paid remuneration and deferred remuneration by deferral periods)	The actual payment of remuneration (salary) was made in accordance with the Regulations on Remuneration of Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY and civil law and employment contracts. There is no deferred remuneration for 2023 in terms of deferral periods.
Description of non-monetary instruments in which the remuneration of the Board is to be paid	There are no non-monetary instruments in which remuneration is to be paid to the members of the Board
Facts of the Bank's exercise of the right to reduce/cancel/refund variable remuneration previously paid to the members of the Board	The Bank did not exercise the right to reduce/cancel/refund the variable remuneration previously paid to the Board members.
Violations of the terms of the remuneration provision (if any) detected by the Bank and measures or decisions taken as a result of such violations.	There were no violations of the terms of the remuneration regulations (if any) and no measures or decisions taken as a result of such violations.
Confirmed facts of unacceptable behavior of a member of the bank's board (including those reported in confidence) and measures taken as a result of the investigation, if such facts/measures have an impact on the payment of remuneration to the member of the bank's board	During the reporting period, no facts of unacceptable behavior of the Board members (including those reported in confidence) and measures taken as a result of the investigation if such facts/measures had an impact on the remuneration of the Board members were established.
Presence / absence of reasonable grounds for payment / deferral / reduction / refund of variable remuneration of a Board Member.	There are no reasonable grounds for payment/delay/reduction/refund of variable remuneration of a Board Member.
Information on payments in cash and/or non-monetary instruments (if any) made to the members of the Board in the reporting financial year: 1) amounts of payments related to hiring/dismissal; 2) the market value of remuneration paid by means of material incentives, if the bank makes the relevant payments.	There are no amounts of payments related to hiring/dismissal made during the financial year. The Bank did not make any such payments.
Information on remuneration in the form of participation of the members of the Board in the program of additional pension payments (if any), if any: 1) participation in a defined benefit plan - with respect to changes in the planned benefits that occurred during the reporting financial year; 2) participation in the defined contribution program - in respect of contributions paid by the bank in respect of the members of the Board during the reporting financial year.	No remuneration in the form of participation of the members of the Board in the supplementary pension program (no program) was applied in 2023.
Information on loans, credits or guarantees granted by the Bank to the members of the Board during the reporting financial year (with the amounts and interest rates).	In 2023, the Bank did not provide loans, credits or guarantees to the members of the Board.

Information in accordance with the Decision of the National Securities and Stock Market Commission No. 659 "Requirements to the Regulations on Remuneration and the Report on Remuneration of Supervisory Board Members and the Executive Body of a Joint Stock Company" of 25 September 2018 (as amended)

Frequency of remuneration payments, its compliance with the approved remuneration regulations, as well as the impact of remuneration on the Bank's business strategy and its long-term interests and stability	Remuneration was paid in accordance with the Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY and civil law and employment contracts.																		
Performance evaluation criteria used to calculate remuneration (in case of variable remuneration)	No variable remuneration and non-monetary instruments were paid to the members of the Board in 2023. The performance evaluation criteria for the calculation of variable remuneration are determined by the Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY.																		
Annual changes in the remuneration received by each member of the Bank's Board, their correlation with the Bank's annual performance and the correlation with the average remuneration of the Bank's employees, other than the Bank's officers, for at least the last five financial years are presented together in a manner that allows for comparison	<p>There were no changes of remuneration to the members of the Board for 2023, no correlation with the Bank's annual performance results and no correlation with the average remuneration of the Bank's employees.</p> <p>Dynamics of annual remuneration of the Bank's Board members and remuneration of the Bank's employees (except for officers):</p> <table border="1" data-bbox="791 1312 1445 1727"> <thead> <tr> <th>Years</th> <th>Annual remuneration of the Bank's Board members</th> <th>Annual remuneration of the Bank's employees (except for officials)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>1 337 511,32</td> <td>88 127 943,79</td> </tr> <tr> <td>2020</td> <td>1 692 770,91</td> <td>112 382 476,77</td> </tr> <tr> <td>2021</td> <td>2 949 232,14</td> <td>143 871 159,87</td> </tr> <tr> <td>2022</td> <td>4 004 482,32</td> <td>164 753 730,42</td> </tr> <tr> <td>2023</td> <td>4 369 714,68</td> <td>191 424 175,83</td> </tr> </tbody> </table>	Years	Annual remuneration of the Bank's Board members	Annual remuneration of the Bank's employees (except for officials)	2019	1 337 511,32	88 127 943,79	2020	1 692 770,91	112 382 476,77	2021	2 949 232,14	143 871 159,87	2022	4 004 482,32	164 753 730,42	2023	4 369 714,68	191 424 175,83
Years	Annual remuneration of the Bank's Board members	Annual remuneration of the Bank's employees (except for officials)																	
2019	1 337 511,32	88 127 943,79																	
2020	1 692 770,91	112 382 476,77																	
2021	2 949 232,14	143 871 159,87																	
2022	4 004 482,32	164 753 730,42																	
2023	4 369 714,68	191 424 175,83																	
The amount of remuneration in national or foreign currency and forms of payment of remuneration paid or to be paid to each Board Member, the decision on payment of which was made in the reporting financial year	The total amount of remuneration (salary) - fixed in cash paid to the members of the Bank's Board for 2023 amounted to UAH 4,369,714.68.																		
Remuneration received by each member of the Bank's Management Board from legal entities related to controlling or affiliated	No remuneration was accrued or paid from legal entities related by control or affiliated relationships.																		

Remuneration received by each member of the Bank's Board in the form of profit participation and/or bonuses, and the reasons for their granting	No remuneration was paid in the form of profit sharing and/or bonuses.
Compensation paid to former members of the Bank's Board in connection with the termination of their activities during the respective financial year	No compensation was paid to the former members of the Board in connection with the completion of their activities in 2023.
Granting shares, options, option certificates, stock warrants and other financial instruments as remuneration to members of the Bank's Management Board	No shares, share options and other financial instruments were accrued or paid to the members of the Board as remuneration.
Terms of agreements (contracts) of the members of the Bank's Board regarding payment of remuneration, term of such agreements (contracts), as well as terms of severance payments and other payments related to premature termination of work in accordance with the concluded agreements (contracts);	<p>The General Meeting of Shareholders held on 26 November 2021 adopted the following resolution: "To approve the terms and conditions of civil and/or employment agreements (contracts) to be concluded with the Chairman and Supervisory Board Members, with the establishment of the amount of remuneration, incentive and compensation payments specified in such agreements (contracts)."</p> <p>The Bank paid remuneration in accordance with the Regulations on Remuneration of Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY and the agreements in due time:</p> <ul style="list-style-type: none"> - for the Board Chairman, who has an employment agreement (contract) and is enrolled in the Bank's staff - twice a month (on the 16th day of the current month - advance payment for the first half of the month; on the last day of the current month - final payment for the month). If the payroll day coincides with a weekend, public holiday or non-working day, the salary is paid the day before. An advance payment is made to an employee for the actual time worked based on the employee's salary and paid vacation for the part of the month before the 16th day of the month; - for members of the Board with whom a civil law agreement (contract) has been concluded - in the manner and within the period specified in such agreement (no later than the fifth day following the month of its accrual).
The Bank's exercise of the right to return previously paid variable remuneration components.	Not applied.
<p>Information on the participants in the implementation of the remuneration system, including the powers and composition of the remuneration committee;</p> <p>name/s, first names, patronymics (if any) of external consultants;</p> <p>The role of shareholders in the process of implementing the remuneration policy</p>	In 2023, the Bank has no Remuneration Committee and no external consultants. The Bank has developed the Regulation on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY, as well as the terms of contracts concluded with the Board Chairman and members of the Board. The General Meeting of Shareholders held on 26 November 2021 approved the following: - setting the amount

	of remuneration and approving other terms and conditions of the agreements to be concluded with the Chairman and members of the Board of the Bank.
Additional programs, including pension provision	It was not used.
Deviations from the approved remuneration policy, as well as an explanation of the exceptional circumstances of such deviation and an indication of the specific elements of the remuneration policy that were deviated from	In the reporting period, there were no deviations of the amounts of actual payments from the amounts to be paid in accordance with the approved Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY in the course of making payments of remuneration to the members of the Board and no violations of the above-mentioned regulations identified by the Bank.
<p>Information about:</p> <ul style="list-style-type: none"> - the total amount of remuneration paid or payable to the members of the Bank's Board for services rendered for the relevant financial year, including payments related to participation in meetings of the relevant body approved by the general meeting; - additional remuneration paid to the members of the Bank's Management Board for special services beyond their normal functions; - the estimated value of remuneration granted in kind (if granted by the Bank) 	<p>The total amount of salary paid to the members of the Bank's Board was UAH 4,369,714.68.</p> <p>No additional remuneration was accrued or paid to the members of the Board for special services outside their normal functions.</p> <p>No in-kind remuneration was provided</p>
<p>Information about shares, options, option certificates, stock warrants on shares and other financial instruments should include information about:</p> <ol style="list-style-type: none"> 1) the number of options, option certificates, stock warrants for shares or shares granted by the Bank during the relevant financial year and the terms of their granting; 2) the number of options, option certificates, stock warrants exercised during the relevant financial year, and for each of them, the number of shares that were the underlying asset or the amount of income that was the underlying asset and paid based on changes in the market value of shares; 3) the number of options, option certificates, stock warrants for shares not exercised by the end of the financial year, their exercise price, date of exercise and the main condition for exercising the right under the options; 4) changes in the terms (expiry dates) and conditions of options, option certificates, stock warrants for shares that occurred in the relevant financial year. 	No shares, share options and other financial instruments were accrued or paid as remuneration to the members of the Board
There should be information about additional pension programs:	Not applicable

<p>1) participation in a defined benefit plan - changes in the planned benefits that occurred during the year;</p> <p>2) participation in a defined contribution plan - details of the contributions paid or that may be paid by the Bank in respect of this officer during the year.</p>	
<p>the company or the group to which it belongs has paid a loan, advance payments, or provided guarantees to a member of the Bank's Board, this must be indicated with the amounts and interest rate.</p>	<p>The Bank did not provide loans, advance payments or guarantees to the members of the Board.</p>
<p>Information in accordance with NSSMC Decision No. 608 "Regulations on Disclosure of Information by Securities Issuers and Persons Providing Collateral for Such Securities" of 06 June 2023</p>	
<p>Remuneration in national or foreign currency and forms of payment of remuneration paid or to be paid to each member of the issuer's Board, the decision to pay which was made in the reporting period</p>	<p>The total amount of remuneration (salary) - fixed in cash accrued and paid to the members of the Bank's Management Board in 2023 amounted to UAH 4,369,714.68.</p>
<p>The amount of fixed and variable parts of remuneration in the total amount of remuneration paid or to be paid to each member of the issuer's Board, the decision on payment of which was made in the reporting period</p>	<p>The total amount of remuneration (salary) - fixed in cash paid to the members of the Bank's Board for 2023 amounted to UAH 4,369,714.68.</p>
<p>Performance evaluation criteria used to calculate the variable part of the remuneration</p>	<p>No variable remuneration and non-monetary instruments were paid to the members of the Board in 2023.</p> <p>The performance evaluation criteria for the calculation of variable remuneration are determined by the Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY.</p>
<p>Changes in the fixed part of remuneration during the reporting period</p>	<p>There were no changes of remuneration for the members of the Board in 2023, there is no correlation with the Bank's annual performance results and the ratio to the average remuneration of the Bank's employees, except for the Bank's officers.</p>
<p>The ratio of the average remuneration of a Board member to the average remuneration of the issuer's employees.</p>	<p>2,11</p>

Actual attendance of the Board members at the Board meetings and the Board Audit Committee in 2023

Actual attendance of the Board members at the meetings of the Board and its committee of which such Board members are members, or reasons for their absence;

Position.	FULL NAME.	Number of meetings
Board Chairman of the Bank	Pavlo Shcherban	48 з 51
Board Member of the Bank	Valentyna Kobylanska	51 з 51
Board Member of the Bank	Mykhailo Nehrych	51 з 51
Board Member of the Bank	Durdon Kadirova	41 з 51
Board Member of the Bank	Andrii Kozlenko	46 з 51

The Audit Committee of the Supervisory Board has been established to preliminarily study and prepare for consideration at the Board meetings issues within its competence.

The Committee consists of 3 members of the Board, including 2 independent members. The Committee is chaired by an independent Board Member who has the appropriate education and qualifications.

Table of participation of the members of the Board Audit Committee in meetings in 2023:

Position	Full name	Number of meetings
Board Audit Committee Chairman	Mykhailo Nehrych	21 з 21
Board Audit Committee Member	Pavlo Shcherban	19 з 21
Board Audit Committee Member	Valentyna Kobylanska	21 з 21

The reasons for the absence of the Board members at the meetings in 2023 were vacation, sick leave or business trips.

FULFILLMENT OF PERFORMANCE TARGETS BY THE BOARD MEMBERS IN 2023

The information on the activities of the Board members during 2023, including their performance of functional tasks and duties, compliance with qualification requirements, was reviewed. Based on the results of the evaluation of the members of the Board, it can be concluded that all the main functional tasks and responsibilities assigned to each individual Board Member were fulfilled, which indicates the effectiveness of their activities.

CONCLUSIONS

In order to assess the effectiveness of the Bank's Board members, the information provided by the divisions as requested, as well as information from the Board members on their performance assessment during 2023, including the fulfillment of their functional tasks and responsibilities, was reviewed. Based on the review of the data, it can be concluded that all the main functional tasks and responsibilities assigned to each individual Board Member were fulfilled, all the main goals were achieved, which indicates the effectiveness of their activities.

The payment of remuneration to the Board members in 2023 did not have a negative impact on the achievement of the Bank's strategic goals, the Bank's business plan, its long-term interests, stability, as well as the rights and interests of depositors, other creditors of the Bank and its shareholders, and the Bank's performance.

Information on the remuneration of the members of the Management Board

The report on remuneration of the members of the Management Board of BANK ALLIANCE JOINT STOCK COMPANY (hereinafter referred to as the Management Board and the Bank, respectively) based on the results of activities in 2023 (hereinafter referred to as the Report) is prepared

in accordance with the requirements of the Law of Ukraine "On Joint Stock Companies", the Regulation on the Bank's Remuneration Policy approved by the Resolution of the NBU Board of 30 November 2021 No. 153 (as amended), the Charter of BANK ALLIANCE JOINT STOCK COMPANY and the Regulations on Remuneration of the Management Board Members of BANK ALLIANCE JOINT STOCK COMPANY approved by the decision of the Board of JSC BANK ALLIANCE.

Report on remuneration of the members of the Management Board of BANK ALLIANCE JSC

In accordance with clause 14.3. of the Bank's Articles of Association, the Management Board shall be appointed by the Bank's Board in the number of at least 3 (three) persons and shall consist of the Chairman, his deputies and members of the Management Board.

During 01 January 2023 - 08 December 2023, the Bank Management Board consisted of 6 (six) members:

1. Yuliia Frolova, Management Board Chairman, took office on 29 December 2018.
2. Viktor Burkytsia, First Deputy Management Board Chairman, took up his duties on 08 November 2017.
3. Oleksandr Chumak, Deputy Management Board Chairman, Management Board Member, took up his duties on December 03, 2020.
4. Vitalii Paliura, Deputy Management Board Chairman, Management Board Member, took up his duties on 02 December 2020.
5. Deputy Management Board Chairman, Management Board Member Sergii Bocharov took up his duties on January 4, 2021.
6. Oleksandr Drahin, Director of the Information Technology Department, Management Board Member, took office on January 18, 2022, and terminated his powers on December 09, 2023 (Minutes of the Supervisory Board No. 44 of November 30, 2023).

During 09 December 2023 - 31 December 2023, the Bank Management Board consisted of 5 (five) members:

1. Yuliia Frolova, Management Board Chairman, took office on 29 December 2018.
2. Viktor Burkytsia, First Deputy Management Board Chairman, took up his duties on 08 November 2017.
3. Oleksandr Chumak, Deputy Management Board Chairman, Management Board Member, took up his duties on December 03, 2020.
4. Vitalii Paliura, Deputy Management Board Chairman, Management Board Member, took up his duties on 02 December 2020.
5. Deputy Management Board Chairman, Management Board Member Sergii Bocharov took up his duties on January 4, 2021.

During 2023, the following changes were made to the Management Board:

<i>Full name</i>	<i>Position title</i>	<i>Resolution of the Supervisory Board on appointment/election of the Management Board</i>	<i>Decision of the Supervisory Board on termination of powers/dismissal of the Management Board</i>
Yuliia Frolova	Management Board Chairman	Minutes No. 105 of 31 October 2018	-
Viktor Burkytsia	First Deputy Management Board Chairman, Management Board Member	Minutes No. 94 of 07 December 2017	-
Oleksandr Chumak	Deputy Management Board Chairman, Management Board Member	Minutes No. 78 of 01 December 2020	-

Vitalii Paliura	Deputy Management Board Chairman, Management Board Member	Minutes No. 78 of 01 December 2020	-
Serhii Bocharov	Deputy Management Board Chairman, Management Board Member	Minutes No. 85 of 24 December 2020	-
Oleksandr Drahin	Director of Information Technology Department, Management Board Member	Minutes No. 2 of 17 January 2022	Minutes of the Supervisory Board No. 44 of 30 November 2023

The system of remuneration of the Management Board members was introduced in accordance with the decision of the Bank's Supervisory Board.

There were no decisions refused by a Management Board Member due to a conflict of interest.

During 2023, there was no untimely or improper fulfillment of obligations to the Bank by a related party, the decision on the transaction with which was made with the support of the Management Board members.

The procedure and terms of payment of remuneration to members of the Bank's Management Board are determined by the Regulations on Remuneration of Members of the Management Board of BANK ALLIANCE JSC, as well as by the employment agreement (contract) concluded with a member of the Bank's Management Board, which are approved by the relevant decisions of the Bank's Supervisory Board.

For performing the functions and duties as a Management Board Member of the Bank provided for in the Regulations on Remuneration of Members of the Bank Management Board and Agreements concluded with members of the Management Board, the Chairman/Management Board Member of the Bank shall be paid monthly remuneration (payment) at the expense of the Bank in the amount stipulated in the estimate specified in the Agreement concluded with the Bank.

In accordance with the Regulations on Remuneration of the Management Board Members of BANK ALLIANCE JSC, the components of the remuneration of the Management Board members are fixed remuneration and additional remuneration.

The fixed remuneration is applied taking into account the level of professional experience, organizational responsibility of each Management Board Member and should support the financial stability of the Bank, constituting a larger share of the total remuneration. The fixed remuneration corresponds to a fair and competitive level in the market. At the same time, the amount of the fixed part is set by the Bank's Board at a sufficient level at which they may also decide to refuse to pay additional remuneration in case of non-compliance with the performance evaluation criteria by the Management Board members.

Additional remuneration is applied in accordance with the criteria for assessing the effectiveness, consistency and prudence of the performance of functional duties of each Management Board Member, the impact of their activities on the achievement of the set goals, contribution to the Bank's profitability, and is to some extent related to the positive development of the Bank's financial performance. Payment of the variable part of the remuneration is made taking into account the risks assumed by the Bank and the results of such assumption, the financial performance of the Bank, compliance with the Bank's capital requirements, maintaining an adequate level of liquidity, consistency of timing and probability of receipt of proceeds (deferred income) included in the current performance result.

The terms and conditions of the employment agreement (contract) with the chairman and members of the Management Board shall specify the amount of remuneration, the term of the agreement (contract), and the terms of payments in connection with early termination of powers.

The remuneration of a Management Board Member for the month worked is paid together with the payment of salaries to all other categories of employees of the Bank for the relevant period, in accordance with the current legislation of Ukraine.

The Bank shall pay the remuneration (payment) in the national currency of Ukraine - hryvnia, by means of a cashless transfer to the account of the Management Board Member of the Bank specified in the details of the Agreement.

The Bank pays remuneration twice a month:

- On the 16th of the current month - an advance payment for the first half of the month;
- on the last day of the current month - the final payment for the month.

If the payroll day coincides with a weekend, public holiday or non-working day, the salary is paid the day before. An advance payment is made to an employee for the actual time worked based on the employee's salary and paid vacation for the part of the month before the 16th day of the month.

Remuneration to the members of the Bank's Management Board is paid in accordance with the requirements of the Regulations on the Procedure for Calculation, Accounting and Payment of Salaries at BANK ALLIANCE JSC.

The establishment of allowances, bonuses, and other remuneration to the members of the Management Board is determined by the Bank's Board, including in compliance with the requirements of the Regulations on Remuneration of the Management Board of BANK ALLIANCE JSC and the Regulations on Bonuses and Allowances to Employees of BANK ALLIANCE JSC.

**REMUNERATION TO THE MEMBERS OF THE MANAGEMENT BOARD FOR
2023**

Information in accordance with the Regulation on the Bank's Remuneration Policy, approved by the NBU Board Resolution No. 153 of 30 November 2021 (as amended)	
Amounts of remuneration accrued/paid for/prior periods and/or to be paid to the members of the Management Board based on the results of the financial year under review (in terms of fixed and variable components of remuneration, in cash and in non-cash instruments)	Remuneration structure: the total amount of remuneration (salary) in cash paid to the members of the Bank Management Board in 2023 amounted to UAH 14,079,108.68, including financial assistance - UAH 35,818.65, bonus - UAH 213,211.47. There are no remunerations accrued/paid for 2023 in previous periods and/or to be paid to the members of the Management Board based on the results of 2023 in non-monetary instruments. The number of recipients in 2023 was 6. There is no amount of unpaid remuneration to the members of the Management Board in 2023.
Terms of remuneration payment (actually paid remuneration and deferred remuneration by deferral periods)	The actual payment of remuneration (salary) was made in accordance with the Regulations on Remuneration of the Management Board Members of BANK ALLIANCE JOINT STOCK COMPANY and the employment contracts. There is no deferred remuneration for 2023 in terms of deferral periods.
Description of non-monetary instruments in which the remuneration of the Management Board is to be paid	There are no non-monetary instruments in which the remuneration of the Management Board is to be paid
Facts of the Bank's exercise of the right to reduce/cancel/refund variable remuneration previously paid to the members of the Management Board	There were no cases when the Bank exercised the right to reduce/cancel/refund the variable remuneration previously paid to the Management Board members.
Violations of the terms of the remuneration provision (if any) detected by the Bank and measures or decisions taken as a result of such violations.	There were no violations of the terms of the remuneration regulations (if any) and no measures or decisions taken as a result of such violations.
Confirmed facts of unacceptable behavior of a member of the Bank's Management Board (including those reported in confidence) and measures taken as a result of the investigation, if such facts/measures have an impact on the payment of remuneration to the member of the Bank's Management Board;	During the reporting period, no facts of unacceptable behavior of the members of the Management Board (including those reported in confidence) and measures taken as a result of the investigation if such facts/measures had an impact on the remuneration of the members of the Management Board were established.
Presence / absence of reasonable grounds for payment / deferral / reduction / refund of variable remuneration of a Management Board Member.	There are no reasonable grounds for payment/delay/reduction/refund of variable remuneration of a Management Board Member.
Information on payments in cash and/or non-monetary instruments (if any) made to the members of the Management Board in the reporting financial year: 2) amounts of payments related to hiring/dismissal;	There are no amounts of payments related to hiring/dismissal made during the financial year.

2) the market value of remuneration paid by means of material incentives, if the bank makes the relevant payments.	The Bank did not make any such payments.							
<p>Information on remuneration in the form of participation of the members of the Management Board in the program of additional pension payments (if any), if any:</p> <p>1) participation in a defined benefit plan - with respect to changes in the planned benefits that occurred during the reporting financial year;</p> <p>2) participation in a defined contribution program - in respect of contributions paid by the bank in respect of members of the management body, influential persons during the reporting financial year.</p>	No remuneration in the form of participation of the Management Board members in the supplementary pension program (no program) was applied in 2023.							
Information on loans, credits or guarantees granted by the Bank to the members of the Management Board during the reporting financial year (with the amounts and interest rates).	In 2023, the Bank did not provide loans, credits or guarantees to the members of the Management Board.							
<p>Information in accordance with the Decision of the National Securities and Stock Market Commission No. 659 "Requirements to the Regulations on Remuneration and the Report on Remuneration of Supervisory Board Members and the Executive Body of a Joint Stock Company" of 25 September 2018 (as amended)</p>								
Frequency of remuneration payments, its compliance with the approved remuneration regulations, as well as the impact of remuneration on the Bank's business strategy and its long-term interests and stability	Remuneration was paid in accordance with the Regulations on Remuneration of Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY and civil law and employment contracts.							
Performance evaluation criteria used to calculate remuneration (in case of variable remuneration)	<p>No variable remuneration and non-monetary instruments were paid to the members of the Management Board in 2023.</p> <p>The performance evaluation criteria for the calculation of variable remuneration are determined by the Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY.</p>							
<p>Annual changes in the remuneration received by each member of the Bank's Management Board, their correlation with the Bank's annual performance and the correlation with the average remuneration of employees of the Bank, other than the Bank's officers, for at least the last five financial years are presented together in a manner that allows for comparison</p>	<p>There were no changes of remuneration for the Management Board members in 2023, no correlation with the Bank's annual performance results and no correlation with the average remuneration of the Bank's employees.</p> <p>Dynamics of annual remuneration of the members of the Bank's Management Board and remuneration of the Bank's employees (except for officers):</p> <table border="1" data-bbox="794 1906 1453 2101"> <thead> <tr> <th data-bbox="794 1906 1010 1939">Years</th> <th data-bbox="1018 1906 1233 2101">Annual remuneration of the members of the Management Board</th> <th data-bbox="1241 1906 1453 2101">Annual remuneration of the Bank's employees (except for officials)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>		Years	Annual remuneration of the members of the Management Board	Annual remuneration of the Bank's employees (except for officials)			
Years	Annual remuneration of the members of the Management Board	Annual remuneration of the Bank's employees (except for officials)						

	2019	8 828 504,39	88 127 943,79
	2020	9 936 906,02	112 382 476,77
	2021	12 094 138,61	143 871 159,87
	2022	14 245 685,10	164 753 730,42
	2023	14 079 108,68	191 424 175,83
The amount of remuneration in national or foreign currency and forms of payment of remuneration paid or to be paid to each Management Board Member, the decision on payment of which was made in the reporting financial year	The total amount of remuneration (salary) - fixed in cash paid to the members of the Bank Management Board for 2023 amounted to UAH 4,369,714.68.		
Remuneration received by each member of the Bank's Management Board from legal entities related to controlling or affiliated parties	No remuneration was accrued or paid from legal entities related by control or affiliated relationships.		
Remuneration received by each member of the Bank's Management Board in the form of profit participation and/or bonuses, and the reasons for their granting	No remuneration was paid in the form of profit sharing and/or bonuses.		
Compensation paid to the former members of the Bank Management Board in connection with the termination of their activities during the respective financial year	No compensation was paid to the former members of the Management Board in connection with the completion of their activities in 2023.		
Granting of shares, options, option certificates, stock warrants and other financial instruments as remuneration to members of the Bank's Management Board	No shares, share options or other financial instruments were accrued or paid to the members of the Management Board as remuneration.		
Terms of agreements (contracts) with the members of the Bank's Management Board regarding remuneration, the term of such agreements (contracts), as well as the terms of severance payments and other payments related to premature termination of work in accordance with the agreements (contracts) concluded;	<p>Payment of remuneration was made by the Bank in accordance with the Regulations on Remuneration of the Management Board Members of BANK ALLIANCE JOINT STOCK COMPANY and agreements within the terms: in accordance with subpara. 3.9.1. Regulations on Remuneration of the Management Board Members: "The Bank shall pay remuneration to the members of the Management Board twice a year on month:</p> <ul style="list-style-type: none"> - On the 16th of the current month - an advance payment for the first half of the month; - on the last day of the current month - the final payment for the month" 		
The Bank's exercise of the right to return previously paid variable remuneration components.	Not applied.		
Information on the participants in the implementation of the remuneration system, including the powers and composition of the remuneration committee; name/s, first names, patronymics (if any) of external consultants; the role of shareholders in the process of implementing the remuneration policy;	In 2023, the Bank has no Remuneration Committee and no external consultants. The Bank has developed the Regulations on Remuneration of the Management Board Members of BANK ALLIANCE JOINT STOCK COMPANY, as well as the terms of contracts concluded with the Management Board Chairman and members of the Management Board.		

Additional programs, including pension provision	It was not used.
Deviations from the approved remuneration policy, as well as an explanation of the exceptional circumstances of such deviation and an indication of the specific elements of the remuneration policy that were deviated from	In the reporting period, there were no deviations of the amounts of actual payments from the amounts to be paid in accordance with the approved Regulations on Remuneration of the Management Board of BANK ALLIANCE JOINT STOCK COMPANY in the payment of remuneration to the members of the Management Board and no violations of the above-mentioned regulations identified by the Bank.
<p>Information about:</p> <ul style="list-style-type: none"> - the total amount of remuneration paid or payable to the members of the Bank's Management Board for services rendered for the relevant financial year, including payments related to participation in meetings of the relevant body approved by the general meeting; - additional remuneration paid to the members of the Management Board for special services beyond their normal functions; - the estimated value of remuneration granted in kind (if granted by the Bank) 	<p>The total amount of salary paid to the members of the Management Board was UAH 14,079,108.68, including financial aid of UAH 35,818.65 and bonuses of UAH 213,211.47.</p> <p>No additional remuneration was accrued or paid to the members of the Management Board for special services outside their normal functions. No in-kind remuneration was provided</p>
<p>Information about shares, options, option certificates, stock warrants on shares and other financial instruments should include information about:</p> <ol style="list-style-type: none"> 1) the number of options, option certificates, stock warrants for shares or shares granted by the Bank during the relevant financial year and the terms of their granting; 2) the number of options, option certificates, stock warrants exercised during the relevant financial year, and for each of them, the number of shares that were the underlying asset or the amount of income that was the underlying asset and paid based on changes in the market value of shares; 3) the number of options, option certificates, stock warrants for shares not exercised by the end of the financial year, their exercise price, date of exercise and the main condition for exercising the right under the options; 4) changes in the terms (expiry dates) and conditions of options, option certificates, stock warrants for shares that occurred in the relevant financial year. 	No shares, share options and other financial instruments were accrued or paid as remuneration to the members of the Management Board
There should be information about additional pension programs:	Not applicable

<p>1) participation in a defined benefit plan - changes in the planned benefits that occurred during the year;</p> <p>2) participation in a defined contribution plan - details of the contributions paid or that may be paid by the Bank in respect of this officer during the year.</p>	
<p>the company or group to which it belongs has paid a loan, advance payments, or provided guarantees to a member of the Bank's Management Board, this must be indicated with the amounts and interest rate.</p>	<p>The Bank did not provide loans, advance payments or guarantees to the members of the Management Board.</p>
<p>Information in accordance with NSSMC Decision No. 608 "Regulations on Disclosure of Information by Securities Issuers and Persons Providing Collateral for Such Securities" of 06 June 2023</p>	
<p>Remuneration in national or foreign currency and forms of payment of remuneration paid or to be paid to each member of the issuer's Management Board, the decision to pay which was made in the reporting period</p>	<p>The total amount of remuneration (salary) - fixed in cash accrued and paid to the members of the Bank Management Board for 2023 amounted to UAH 14,079,108.68, including financial assistance - UAH 35,818.65, bonus - UAH 213,211.47.</p>
<p>The amount of fixed and variable parts of remuneration in the total amount of remuneration paid or to be paid to each member of the issuer's Management Board, the decision on payment of which was made in the reporting period</p>	<p>The total amount of remuneration (salary) - fixed in cash paid to the members of the Bank Management Board for 2023 amounted to UAH 14,079,108.68, including financial assistance - UAH 35,818.65, bonus - UAH 213,211.47.</p>
<p>Performance evaluation criteria used to calculate the variable part of the remuneration</p>	<p>No variable remuneration and non-monetary instruments were paid to the members of the Management Board in 2023.</p> <p>The performance evaluation criteria for the calculation of variable remuneration are determined by the Regulations on Remuneration of the Supervisory Board Members of BANK ALLIANCE JOINT STOCK COMPANY.</p>
<p>Changes in the fixed part of remuneration during the reporting period</p>	<p>There were no changes of remuneration of the Management Board members in 2023, there is no correlation with the Bank's annual performance results and the ratio to the average remuneration of the Bank's employees, except for the Bank's officers.</p>
<p>The ratio of the average remuneration of a Management Board Member to the average remuneration of the issuer's employees.</p>	<p>5,66</p>

Actual attendance of members of the Management Board at meetings of the Management Board in 2023

All members of the Bank's Management Board participated in the meetings of the Management Board, and if they were absent, it was due to vacation and business trips.

Given the frequency of requests and the scope of issues to be considered, the Management Board held 119 meetings in 2023. Regular attendance of all members of the Management Board at meetings is very high. Attendance at the meetings, as shown in the Table below, taking into account the beginning and end of the term of office of each Management Board Member, is as follows

Position	Name	Number of meetings
Management Board Chairman	Yuliia Frolova	107 of 119
First Deputy Management Board Chairman, Management Board Member	Viktor Burkytsia	112 of 119
Deputy Management Board Chairman, Management Board Member	Vitalii Paliura	114 of 119
Deputy Management Board Chairman, Management Board Member	Oleksandr Chumak	112 of 119
Deputy Management Board Chairman, Management Board Member	Sergii Bocharov	119 of 119
Director of Information Technology Department, Management Board Member	Oleksandr Drahin	110 of 110

FULFILLMENT OF PERFORMANCE TARGETS BY THE MEMBERS OF THE MANAGEMENT BOARD IN 2023

The information on the activities of the Management Board members during 2023, including the performance of their functional tasks and duties, and compliance with the qualification requirements, was reviewed.

Based on the results of the evaluation of the members of the Management Board, it can be concluded that all the main functional tasks and responsibilities assigned to each individual Management Board Member were fulfilled, which indicates the effectiveness of their activities.

CONCLUSIONS

In order to assess the effectiveness of the Management Board members, the information provided by the divisions as requested, as well as information from the Management Board members on their performance assessment during 2023, including the fulfillment of their functional tasks and responsibilities, was reviewed. Based on the review of the data, it can be concluded that all the main functional tasks and responsibilities assigned to each individual Management Board Member were fulfilled, all the main goals were achieved, which indicates the effectiveness of their activities.

The payment of remuneration to the Management Board members in 2023 did not have a negative impact on the achievement of the Bank's strategic goals, the Bank's business plan, its long-term interests, stability, as well as the rights and interests of depositors, other creditors of the Bank and its shareholders, and the Bank's performance.

Information on the remuneration of influential persons

The Report on Remuneration of Key Executives of BANK ALLIANCE JSC (hereinafter referred to as the Bank) based on the results of its activities in 2023 (hereinafter referred to as the Report) is prepared in accordance with the Regulation on the Bank's Remuneration Policy approved by Resolution of the NBU Board of 30 November 2020 No. 153 (as amended),

In accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" (as amended on June 30, 2021, which entered into force on August 05.2021), the List of persons whose professional activities have a significant impact on the overall risk profile of the Bank includes the Head of the Internal Audit Department, the Chief Risk Manager, the Chief Compliance Officer, the Head of a separate unit for the prevention and counteraction to legalization (laundering) of proceeds of crime, terrorist financing and financing of the proliferation of weapons of mass destruction (Board Decision No. 60 of 12 August 2021).

In 2023, the Bank's Council, in addition to the members of the Council, the Management Board, and the Chief Accountant, also included persons whose professional activities have a significant impact on the Bank's risk profile:

1. Yevhen Sydoruk, responsible officer for financial monitoring - Director of the Financial Monitoring Department;
2. Alona Demchenko, Head of Internal Audit Service;
3. Sergii Kravchenko, Head of Risk Control Department (Chief Risk Officer);
4. Tetiana Mysliuk, Head of Compliance Department (Chief Compliance Officer) - takes office after the NBU approval.

As of December 31, 2023, the following were considered to be influential persons:

1. Natalia Bochkovska, Chief Accountant.
2. Yevhen Sydoruk, Responsible Officer for Financial Monitoring - Director of Financial Monitoring Department;
3. Alyona Demchenko, Head of Internal Audit Service;
4. Sergii Kravchenko, Head of Risk Control Department (Chief Risk Officer);
5. Tetiana Myslyuk, Head of Compliance Department (Chief Compliance Officer) - takes office after the NBU approval.

The procedure and terms of payment of remuneration to the Bank's influential persons are determined by the Remuneration Policy of BANK ALLIANCE JSC, as well as by the employment agreement (contract) concluded with the Bank's influential persons, which are approved by the relevant decisions of the Bank's Board.

For performing the functions and duties of an influential person stipulated by the Remuneration Policy and Agreements concluded with influential persons, the Bank's influential person shall be paid monthly remuneration (payment) at the expense of the Bank in the amount stipulated by the estimate specified in the Agreement concluded with the Bank.

The terms and conditions of the employment agreement (contract) with the influential persons shall specify the amount of remuneration, the term of the agreement (contract), and the terms of payments in connection with early termination of powers.

The remuneration of an influential person for the month worked is paid together with the payment of salaries to all other categories of the Bank's employees for the relevant period, in accordance with the current legislation of Ukraine.

The Bank shall pay the remuneration (payment) in the national currency of Ukraine - hryvnia, by means of a cashless transfer to the account of the Bank's influential person specified in the Agreement details.

The Bank pays remuneration twice a month:

- On the 16th of the current month - an advance payment for the first half of the month;
- on the last day of the current month - the final payment for the month.

If the payroll day coincides with a weekend, public holiday or non-working day, the salary is paid the day before. An advance payment is made to an employee for the actual time worked based on the employee's salary and paid vacation for the part of the month before the 16th day of the month.

Remuneration is paid to the Bank's influential persons in accordance with the requirements of the Regulations on the Procedure for Calculation, Accounting and Payment of Salaries at BANK ALLIANCE JSC.

The establishment of bonuses, premiums, and other remuneration to the Bank's influential persons is determined by the Bank's Board, including in compliance with the requirements of the Remuneration Policy of BANK ALLIANCE JSC and the Regulations on Bonuses and Allowances for Employees of BANK ALLIANCE JSC.

REMUNERATION TO INFLUENTIAL PERSONS FOR 2023

Information in accordance with the Regulation on the Bank's Remuneration Policy, approved by the NBU Board Resolution No. 153 of 30 November 2021 (as amended)	
Amounts of remuneration accrued/paid for/prior periods and/or to be paid to the influential persons based on the results of the financial year under review (in terms of fixed and variable components of remuneration, in cash and in non-cash instruments)	Remuneration structure: the total amount of remuneration (salary) - fixed in cash paid to the Bank's influential persons in 2023 amounted to UAH 6,031,130.39. No variable remuneration and non-monetary instruments were paid to the influential persons in 2023. There are no remunerations accrued/paid for 2023 in previous periods and/or to be paid to the influential persons based on the results of 2023 in non-monetary instruments. There is no amount of unpaid remuneration to the influential persons in 2023.
Terms of remuneration payment (actually paid remuneration and deferred remuneration by deferral periods)	The actual payment of remuneration (salary) was made in accordance with the Regulations on the Procedure for Calculation, Accounting and Payment of Salaries at BANK ALLIANCE JSC and the employment contract. There is no deferred remuneration for 2023 in terms of deferral periods.
Description of non-monetary instruments in which remuneration is to be paid to the influential persons;	There are no non-monetary instruments in which remuneration is to be paid to the related parties
Facts of the bank's exercise of the right to reduce/cancel the return of variable remuneration previously paid to the influential persons;	There were no cases when the Bank exercised the right to reduce/cancel/refund variable remuneration previously paid to the influential persons.
Violations of the terms of the remuneration provision (if any) detected by the Bank and measures or decisions taken as a result of such violations.	There were no violations of the terms of the remuneration regulations (if any) and no measures or decisions taken as a result of such violations.
Confirmed facts of unacceptable behavior of an influential person (including those reported in confidence) and measures taken as a result of the investigation, if such facts/measures have an impact on the remuneration of the influential person	During the reporting period, no facts of unacceptable behavior of the PEPs (including those reported in confidence) and measures taken as a result of the investigation if such facts/measures had an impact on the remuneration of the PEPs were found.
Presence/absence of reasonable grounds for payment/delay/reduction/refund of variable remuneration to an influential person(s).	There are no reasonable grounds for payment / deferral / reduction / refund of variable remuneration of an influential person

Information on payments in cash and/or non-monetary instruments (if any) made to the related parties in the reporting financial year: 1) amounts of payments related to hiring/dismissal; 2) the market value of remuneration paid by means of material incentives, if the bank makes the relevant payments.	There are no amounts of payments related to hiring/dismissal made during the financial year. The Bank did not make any such payments.
Information on remuneration in the form of participation of influential persons in the program of additional pension payments (if any), if any: 1) participation in a defined benefit plan - with respect to changes in the planned benefits that occurred during the reporting financial year; 2) participation in a defined contribution program - in respect of contributions paid by the bank in respect of influential persons during the reporting financial year.	No remuneration in the form of participation of influential persons in the supplementary pension program (no program) was applied in 2023.
Information on loans, credits or guarantees granted by the Bank to influential persons during the reporting financial year (with amounts and interest rates).	In 2023, the Bank did not provide loans, credits or guarantees to influential persons.

5.13. Main provisions of the information disclosure policy of BANK ALLIANCE JSC

Name of the internal document that defines the disclosure policy	Information policy of BANK ALLIANCE JSC
Name of the body that made the decision to approve the document defining the information disclosure policy	The Board of the Bank
Date and number of the decision to approve the document defining the disclosure policy	61 as of 17 August 2021
Description of the key provisions of the internal document defining the disclosure policy	Disclosure of information about the Bank is carried out by providing information about the Bank to the interested parties, subject to the restrictions established by the legislation of Ukraine, the Bank's charter and internal documents in the form and in accordance with the procedure established by the above provision.

5.14. Information about the advisor

Full name of the company	There is no corporate rights advisor
Identification code of the legal entity	
Website URL	

URL of the website where information about the adviser's research results, consultations and any other recommendations on the use of voting rights in relation to the person is posted	
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5.15. Information from the audit entity

Information from the audit entity, taking into account the requirements provided for in paragraph 45 of Regulation 608

The information is set out in the report of the independent auditor of KRESTON UKRAINE LLC attached to the financial statements.

6. Sustainability report

1	Assessment of environmental protection and social responsibility activities for the reporting period:
	Information on the work done in the reporting year in the area of environmental protection and social responsibility is indicated. Information on the goals set by the company at the beginning of the reporting period shall be indicated. It is indicated whether the goals and results set at the beginning of the reporting period were achieved. If they were not achieved, the reasons for this should be indicated. A description of the key results shall be provided.

2	Key risks and challenges related to environmental protection and social responsibility, plans to address them, and their impact on the achievement of strategic goals:
	<p>1. List of environmental and social responsibility risks that affect the individual:</p> <p>1) Environmental risk is the likelihood of losses, additional losses or revenue shortfalls as a result of environmental pollution and endangerment of biodiversity.</p> <p>2) Social risk is the probability of losses, additional losses or revenue shortfall due to a hazard to human health and safety, negative impact on local communities, cultural and archaeological heritage.</p>
	<p>2. Measures planned/implemented to minimize/eliminate each risk:</p> <p>1) management of projects lent by the Bank; 2) management of social and economic infrastructure projects, including energy efficiency projects; 3) environmental management and social responsibility of the Bank;</p> <p>Environmental and social risk management of the Bank's loan projects is based on the following:</p> <ul style="list-style-type: none"> — Exclusion of financing of the most harmful activities; — compliance of loan project financing with the requirements of the environmental legislation of Ukraine (Annex 2 to the Policy);

		— Implementation of a system for assessing and monitoring environmental and social risks of the Bank's credit projects
3	Main provisions of the policy on environmental protection and social responsibility	
	A list of environmental and social responsibility policies and a description of the issues that such policies are intended to address	1) The Environmental and Social Responsibility Policy of BANK ALLIANCE JSC, approved by the decision of the Bank Supervisory Board (Minutes of 14 December 2021, No. 92) - developed to assess and minimize the negative impact of BANK ALLIANCE JSC on social welfare and the environment and reflects the position of the Bank, which aims to preserve the environment and respect human rights.
4	List of issues and decisions on environmental protection and social responsibility considered by the Board and the executive body:	
	1. The list of issues considered by the executive body and a summary of the decisions taken:	The Bank's Council and Management Board did not consider environmental protection and social responsibility issues due to the absence of lending to projects with environmental and social risks.
	2. The list of issues considered by the board and a summary of the decisions made:	Absent
5	A list of key stakeholders affected by the company's activities, with justification of how such an impact is made, a list of stakeholders that have an impact on the company's strategic goals, with justification of how such an impact is made:	
	The Bank's key stakeholders are divided into two groups: internal and external.	
	The Bank's internal stakeholders are:	
	Management: the Bank's management within the meaning of the Law of Ukraine on Banks and Banking Activities.	
	Employees: the Bank's employees at various levels and departments who ensure the provision of services to customers and the implementation of the Bank's strategic goals.	
	Shareholders who own the Bank's shares and influence its activities through participation in general meetings and strategic decision-making.	
	The Bank's external stakeholders are:	
	Customers: Individuals and legal entities using banking services.	
	Regulatory authorities: The National Bank of Ukraine, the National Securities and Stock Market Commission, and other governmental and non-governmental organizations that set rules and regulations for banks to ensure financial stability and customer protection.	
	Partners: Other financial institutions, technology companies, insurance companies, etc. with whom the bank may cooperate to provide joint services or implement joint projects.	
	Competitors: Other banks and financial institutions that also provide similar services and compete for customers and market share.	
	The public: The general public and public organizations that have an interest in the bank's activities, in particular, its responsibility to society and its impact on the economy and financial stability.	
6	Key provisions of the policy on stakeholder engagement, including shareholders/participants:	

The management of BANK ALLIANCE JSC is convinced that effective interaction with external stakeholders is a key aspect of the bank's successful operations and implements the following interaction provisions

- **Communication with customers:** Regularly conducting customer surveys, collecting feedback, and communicating openly and transparently to understand customer needs and expectations.
- **Regulatory cooperation:** Active participation in regulatory affairs, including compliance with laws and regulations, reporting and participation in consultations on financial sector regulation.
- **Strategic partnerships:** Entering into strategic partnerships with other financial institutions, technology companies, service providers, etc. to expand product offerings and improve customer service.
- **Competitor analysis:** Analyzing the market and competitive environment to understand competitors' strategies and respond to their actions.
- **Cooperation with the public:** Involvement in socially responsible projects, participation in public discussions and development of corporate social responsibility programs to maintain public trust and create a positive image of the bank.

Effective interaction of internal stakeholders is ensured by the following measures:

- **Clear communication:** Ensure open and effective communication between all levels of management and employees.
- **Define roles and responsibilities:** Clearly defining the roles, responsibilities, and accountabilities of each internal stakeholder helps to avoid conflicts and duplication of work.
- **Process coordination:** Ensuring that different departments and teams work together by establishing clear procedures and coordination mechanisms. This may include regular meetings to discuss joint projects or the use of specialized programs to solve problems together.
- **Close cooperation with management:** Involve internal stakeholders in strategic planning and decision-making, including through involvement in committees and boards.
- **Creating a favorable working environment:** Ensure a positive and supportive work environment that fosters collaboration and teamwork.
- **Evaluation and reporting:** Regular performance evaluation and reporting to management to continuously improve processes and achieve strategic goals.

The Bank will implement these measures to improve its performance, including the implementation of the approved European Sustainability Reporting Standards (ESRS).

7. Information on the issuer's relations with foreign countries in the risk zone

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

BANK ALLIANCE JSC does not have in its ownership structure individuals with citizenship of a foreign country in the risk zone.

2) Presence in the issuer's ownership structure of individuals whose permanent place of residence is in foreign countries of the risk zone

BANK ALLIANCE JSC does not have in its ownership structure individuals whose permanent place of residence is in foreign countries of the risk zone.

3) Presence in the ownership structure of the issuer, legal entities registered in foreign countries of the risk zone

BANK ALLIANCE JSC has no legal entities in its ownership structure whose place of registration is in foreign countries of the risk zone.

- 4) Presence in the issuer's management bodies of individuals holding the citizenship of a foreign country in the risk zone;

BANK ALLIANCE JSC does not have individuals with citizenship of a foreign country in the issuer's management bodies of the risk zone.

- 5) The issuer has business relations with counterparties/clients of the risk zone state or counterparties/clients controlled by the risk zone state.

5) Information on the issuer's business relations with clients/counterparties of the risk zone state or clients/counterparties controlled by the risk zone state for clients/counterparties - legal entities as at 31 December 2023

- The Bank **does not have** business relations with **counterparties of the risk zone state** and **counterparties** controlled by the risk zone state.
- The Bank **does not establish** business relations with **customers of the risk zone state** and **customers** controlled by the risk zone state in cases established by the current legislation of Ukraine.
- The existing business relations between the Bank, as a financial services provider, and its customers are established until 24 February 2022 and are limited in accordance with the requirements (including prohibitions) established by the current legislation of Ukraine and will be immediately terminated if required by the legislation of Ukraine.

Full name, in the original language, in English and its transliteration into Ukrainian	Location in Ukrainian and English	Identification code or code/number from the client/counterparty's trade, bank or court register	International legal entity identification code (LEI code)	Description of the existing direct or indirect control over the customer/counterparty by citizens and/or legal entities registered in a foreign country of the risk zone	Description of existing contractual relations (subject matter of the transaction, value of the transaction, material terms of the contract)
1	2	3	4	5	5
LIMITED LIABILITY COMPANY "BONTAIER-UKRAINE" TOV BT-UKRAINE	100, Ivan Mazepa St., Chernihiv, 14001, Ukraine 14001, CHERNIHIVSKA OBL. IVANA MAZEPY , BUD. 100	38341101		The place of registration of the person exercising control is a foreign country of the rb risk zone - SHTARBEKER VITAL	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 341.68.
7T2 LIMITED	Business Bay of Duba, Tower, Al Abraj Street, Westberry Commercial Tower, Corp. Office No. 120/ BIZNES BEI DUBA, TAUER, AL ABRADZH CTPIT, VESTBERRY KOMMERSHL - TAUER, KORP. OFIS NO. 120	880003858		The place of registration of the person exercising control is a foreign state of the risk zone of the Russian Federation - Owner Konstantin Valentinovich Shmelev	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 422,659.85.

LIMITED LIABILITY COMPANY "AMKODOR-UKROSPETSMASH" / AMKODOR-UKROSPETSMASH LLC	22/03134, Kyiv, KILTSEVA DOROHA str. KILTEVA DOROHA, BUD. 22	37250239		The place of registration of the person exercising control is a foreign state of the rb risk zone - Oleksandr Shakutin	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 466.09.
SUN MILET LLC LIMITED LIABILITY COMPANY	87 Sadova St., Konstantynivka village, 72364, Zaporizhzhia region, Melitopol district, 72364, Zaporizhzhia region, Konstantynivka village, 87 Sadova St.	43652571		The place of registration of the person exercising control is a foreign state of the rb risk zone - SHTARBEKER VITAL	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 141.53.
JOINT-STOCK COMPANY "UKRAINIAN SCIENTIFIC RESEARCH PROJECT DESIGN AND TECHNOLOGICAL INSTITUTE OF TRANSFORMER CONSTRUCTION" JOINT-STOCK COMPANY UKRAINIAN SCIENTIFIC RESEARCH AND RESEARCH PROJECT DESIGN AND TECHNOLOGICAL INSTITUTE OF TRANSFORMER CONSTRUCTION	11/69069, Zaporizhzhia region, Zaporizhzhia, Dniprovske shose, building 11/69069, ZAPORIZKA OBL. DNIPROVSKE SHOSE, BUD. 11	216757		The place of registration of the person exercising control is a foreign state of the risk zone of the Russian Federation - Vladymyr Petrovich Yevtushenkov	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 627,376.77.
LIMITED LIABILITY COMPANY "FRUITS OF MELITOPOL"	87 Sadova St., Konstantynivka village, Melitopol district, Zaporizhzhia region, 72364	43652200		The place of registration of the person exercising control is a foreign country of the rb risk zone - SHTARBEKER VITAL	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 110.84.
International Swimming League Ltd / Internatinal Swimming League Ltd	6 Ruessenstrasse, Baar, 6340, Germany	880003147		The place of registration of the person exercising control is a foreign state of the risk zone of the Russian Federation - Arkady Aleksandrovich Voropaev	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 1,898,192.14.

JOINT STOCK COMPANY "SUMY PLANT OF PUMPING AND POWER ENGINEERING "NASOENERGOMASH"	1, Pryvokzalna Square, Sumy, 40011, Sumy region, Ukraine	5785448		The place of registration of the person exercising control is a foreign state of the risk zone of the Russian Federation - Vladymyr Lukyanenko	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 302.02.
Atommashproekt Consortium	58 Gorky St., Sumy, Sumy region, 40004, Ukraine	34592533		The place of registration of the person exercising control is a foreign state of the risk zone of the Russian Federation - Vladymyr Lukyanenko	Blocked assets of the state of the risk zone as at 31 December 2023 amounted to UAH 44,476.91.

Information on the issuer's business relations with clients/counterparties of the risk zone state or clients/counterparties controlled by the risk zone state for clients/counterparties - individuals as at 31 December 2023

The total value of all blocked assets of the risk zone state	UAH 2'372'138.55.
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- 6) Location of the issuer's subsidiaries/enterprises, branches, representative offices and/or other separate structural units in the territory of the risk zone state;

BANK ALLIANCE JSC has no subsidiaries/enterprises, branches, representative offices and/or other separate structural subdivisions of the issuer in the territory of the risk zone country.

- 7) Presence of legal entities whose founder, participant, shareholder is the issuer together with individuals who have the citizenship of a foreign risk country, individuals whose permanent place of residence is a foreign risk country, legal entities whose place of registration is a foreign risk country

BANK ALLIANCE JSC does not act as a founder, participant, or shareholder of legal entities, including individuals holding citizenship of a foreign risk zone state, individuals whose permanent place of residence is in a foreign risk zone state, or legal entities whose place of registration is in a foreign risk zone state.

- 8) If the issuer has corporate rights in a legal entity registered in a foreign country of the risk zone;

BANK ALLIANCE JSC has no corporate rights in a legal entity registered in a foreign country of the risk zone

- 9) if the issuer of securities (other than shares) is a legal entity registered in a foreign country of the risk zone.

BANK ALLIANCE JSC does not hold securities of legal entities registered in a foreign country of the risk zone.

8. Nature of business

Purpose of the Bank's activities

In accordance with the Charter of BANK ALLIANCE JOINT STOCK COMPANY effective as at 31 December 2023

"The purpose of the Bank's activities is to satisfy public needs for banking and other financial services (except for insurance services), other activities of banks as defined by the current legislation of Ukraine; to attract, accumulate, ensure the movement and redistribution of money supply, as well as to make a profit based on the results of activities not prohibited by the current legislation of Ukraine."

Organizational structure of the issuer, subsidiaries, branches, representative offices and other separate structural units, including name and location, role and development prospects, changes in the organizational structure in accordance with the previous reporting periods

Commercial Joint-Stock Bank Alliance-Credit Bank was established as an open joint-stock company in accordance with the decision of the Founders' Meeting (Minutes No. 1 of 09 March 1992) and registered by the National Bank of Ukraine on 10 March 1992 under No. 89. In accordance with the decision of the General Shareholders Meeting (Minutes No. 11 of 31 March 1993), Commercial Joint-Stock Bank Alliance-Credit Bank changed its name to Joint-Stock Commercial Bank ALLIANCE CREDIT BANK, which was registered by the National Bank of Ukraine on 30 July 1993. Joint-Stock Commercial Bank ALLIANCE CREDIT BANK became the legal successor to all rights and obligations of Commercial Joint-Stock Bank Alliance Credit Bank. In accordance with the decision of the General Shareholders Meeting (Minutes No. 52 of 24 May 1996), Joint-Stock Commercial Bank ALLIANCE CREDIT BANK changed its name to Joint-Stock Commercial Bank "Alliance", which was registered by the National Bank of Ukraine on 24 July 1996. Joint-Stock Commercial Bank "Alliance" became the legal successor to all rights and obligations of Joint-Stock Commercial Bank "ALLIANCE CREDIT BANK". Pursuant to the Law of Ukraine "On Joint Stock Companies" and in accordance with the decision of the General Meeting of Shareholders (Minutes No. 2/2010 of 23 April 2010), Joint Stock Commercial Bank Alliance changed its name to PUBLIC BANK ALLIANCE JOINT STOCK COMPANY, which is the successor to all rights and obligations of Joint Stock Commercial Bank Alliance.

By the decision of the General Shareholders Meeting of 17 April 2018, the name of the Bank was changed to BANK ALLIANCE JOINT STOCK COMPANY, which is the legal successor to all rights and obligations of PUBLIC BANK ALLIANCE JOINT STOCK COMPANY.

The Bank was established in the form of a joint stock company. The type of the Bank's joint stock company is a PRIVATE JOINT STOCK COMPANY.

As at 31 December 2023, the Bank's organizational structure included the head office in Kyiv and 35 branches:

- Head Office, 50, Sichovykh Striltsiv Str., Kyiv, 04053;
- CENTRAL, 50, Sichovykh Striltsiv Str., Kyiv, 04053;
- 32/2, Kniiaziv Ostrozkykh Str. (formerly Moskovska Str.), Kyiv, 01010, Ukraine;
- 17, Metallurgiv Ave;
- 15 Stefanyka V. St., building 2, Lviv, 79000, Lviv region, Ukraine;
- L'vivske No. 1, 66 I. Franka St., bldg. 2a, Lviv, 79001, Lviv region, Ukraine;
- 8, Central Square, Chernivtsi, 58002, Chernivtsi region, Ukraine;
- 65, Chernyshevskogo str., Kharkiv, Kharkiv region, 61002, Ukraine;
- 5/1 Bazarna str., Odesa, 65125, Odesa region, Ukraine;
- KIEVSKOE No. 1, 44 Metrolohichna St., Kyiv, 03143, Ukraine, room. 43/4;
- 79 Tsentralnyi Avenue, Mykolaiv, 54017, Mykolaiv Oblast, Ukraine;
- KREMENCHUTSKE, 54017, Poltava region, c. Kremenchuk, 16-A Gagarina str;
- Chernihivske, 14000, Chernihiv city, Ukraine. Chernihiv, Pyatnitskaya str. 4;
- 31, Nebesna Sotnya St., Cherkasy, Cherkasy region, 18007, Ukraine;
- KIEVSKOE #2, 112 Velyka Vasylkivska St., Kyiv, 03150, Ukraine;
- Dniprovske, 49000, Dnipropetrovska oblast, m. Dnipro 28 Voskresenska str.
- Kyiv Office No. 4, 10/1 Sobornosti Avenue, Kyiv, 02105, Ukraine;
- 44 Mykhailo Hrushevskoho Str., Korosten, 11501, Zhytomyr Oblast, Ukraine;
- 78, Kelets'ka St., Vinnytsia, 21021, Vinnytsia region, Ukraine;
- Sumy, 40000, Sumy region, Sumy, 9 May Lane, 4;
- Poltavske, 30/12 Sobornosti St., Poltava, 36020, Poltava region, Ukraine;
- CHERNOMORSKE No. 1, 1-B Khantadze St., Chornomorsk, Odesa Oblast, 68001, Ukraine;
- ODESKE No. 1, 22, Aeroportovska str., Odesa, 65085, Odesa region, Ukraine;
- Uzhhorodske, 88018, Transcarpathian region, c. Uzhhorod, 71 Shvabska str;
- Kropyvnytske, 14 Soborna St., Kropyvnytskyi, 25009, Kirovohrad Oblast, Ukraine;
- Kyiv Office No. 5, 1 Tadei Rylsky Boulevard, Kyiv, 03187, Ukraine;
- 9/5 Teatralna Str., Zhytomyr, 10014, Zhytomyr Oblast, Ukraine;
- Khmelnytske, 29000, Khmelnytskyi region, 11 Shevchenko str;
- Kyivske No. 6, 1, Kiltseva Road, Kyiv, 02000.
- 10, Chornovola St., Ivano-Frankivsk, 76018, Ivano-Frankivsk region, Ukraine
- LUTSKE, 43025, Volyn region, Lutsk, Voly ave. 11
- Ternopilske, 46001, Ternopil region, Ternopil, 19 Ruska str., room 3
- RIVNENSKE, 33028, Rivne region, c. Rivne, 15 Soborna str.
- Ternopilske No. 1, 9 Zhyvova str., Ternopil, 46008, Ternopil region, Ukraine
- 32 Ushakova Ave., Kherson, 73022, Kherson region, Ukraine
- 6 Nebesna Sotnya St., Uman, Cherkasy region, 20301, Ukraine

In 2023, the Bank opened 3 new separate subdivisions of the Bank and closed the Black Sea branch. In 2024, it is planned to further expand the regional network in accordance with the business model of BANK ALLIANCE JSC in order to implement the Strategy of BANK ALLIANCE JSC for 2024-2026, approved by the decision of the Board of Directors of 28 December 2023 (Minutes No. 50) and the Bank's Budget for 2024, approved by the decision of the Board of Directors of 28 December 2023 (Minutes No. 50) in terms of expanding distribution channels.

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- The main principles of the Bank's organizational structure are: hierarchy of the organizational structure; standardization and unification; clear division of functions between departments; optimal number of employees.
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- The Bank has no representative offices and branches in Ukraine and/or in other countries.

The average number of full-time employees on the payroll (persons), the average number of part-time employees and persons working on a part-time basis (persons), the number of employees working on a part-time basis (day, week) (persons), and the payroll. In addition, the facts of changes in the size of the payroll fund, its increase or decrease compared to the previous year are indicated. The Bank's HR program aimed at ensuring that the level of employees' qualifications meets the Bank's operational needs

Taking into account the needs and development of employees as intellectual capital is one of the most effective strategies for successful business. Therefore, the Bank's Human Resources Management Strategy is based on the professionalism, efficiency, motivation and involvement of each employee to achieve the Bank's strategic goals.

In 2023, the average number of full-time employees (persons) in the Bank amounted to 496 people. There were 5 freelance employees. There were 11 part-time employees, and 15 part-time employees. The payroll of BANK ALLIANCE JSC for 2023 amounted to UAH 211,223,118.92 and increased significantly compared to the payroll for 2022, which amounted to UAH 184,268,825.80. The increase in the level of the payroll fund amounted to UAH 26,954,293.12.

The Bank's labor organization and remuneration conditions are regulated in accordance with the current labor legislation of Ukraine, the Bank's HR policy, the Collective Bargaining Agreement, the Internal Labor Regulations, the Regulations on Employee Training, the Regulations on Bonuses and Allowances for Employees, the Regulations on the Formation and Development of the Personnel Reserve, and the Regulations on Staff Adaptation. They stipulate payments to employees of all levels, changes in salaries, payment of financial assistance, etc.

The Bank respects human rights and does not discriminate on political, religious, national, gender or other grounds. Equal opportunities in employment, professional and personal growth are provided to all employees.

Gender composition of the Bank's employees (as of the end of the year 31 December 2023): women - 354 (68%) / men - 169 (32%).

Age composition of the Bank's employees (end of the year):

CATEGORY	QUANTITY	PART
up to 30 years old	54	10%
31-40 years old	146	28%
41-50 years old	207	40%
over 51 years old	116	22%
TOTAL:	523	100%

The Bank's expenses for external training of employees in 2023 amounted to UAH 108,830.00.

In 2023, 17 external training events were held, attended by 18 employees of the Bank from the following departments: Supervisory Board, Chief Accountant, Internal Audit, Compliance Department, Documentary and Credit Operations Department, Legal Department, Intra-Bank Operations and Tax Accounting Department, Card Business Department, Systemic Risk Department, Non-performing Assets Department, Collection Department, and Human Resources Department.

In 2023, changes were made to the Bank's distance learning and staff development process, namely

- the period for new employees to complete the adaptation training package of courses and tests was reduced from 60 to 14 days from the start of their employment with the Bank;
- The "Newcomer" program was introduced for employees of branches and NGOs, with training activities divided by positions and units and a clear schedule for their completion;
- A three-tiered system of control over the training process was introduced: the Human Resources Department, line manager, and business area manager.

In 2023, the Bank's internal reserves were used in:

- 5 new distance learning courses were developed at the request of the Financial Monitoring Department, the Information Technology Department, and the Cash Circulation and Cash Transactions Control Department)
- 1 course was upof at the request of the Department of Information Technology;
- 9 new remote tests were developed at the request of the Microbusiness Development Department and the Sales Support Department (retail business);
- 3 remote tests were upof at the request of the Microbusiness Development Department and the Cash Management and Cash Transactions Control Department.

The total number of completed e-course sessions in 2023 was 5,122, with a 94% success rate. The total number of completed e-test sessions in 2023 was 1,531, with a pass rate of 60%.

Employees of the Bank's branches and NGOs who were hired in 2023 (111 people) were assigned an adaptation package for a new employee within the first 14 days of their employment with the Bank, which includes:

- 12 basic e-courses with information about the Bank, the basics of working in Megapolis EDMS, information security, occupational health and safety, risk management policy, emergency behavior, corporate ethics, etc;
- 13 specialized courses, depending on the position for which the employee is hired;
- 9 remote tests, depending on the position for which the employee is hired.

The issuer's affiliation with any associations of enterprises, the name and location of the association, a description of the association's activities, functions and term of the issuer's participation in the relevant association, the issuer's position in the structure of the association

BANK ALLIANCE JSC is a member of the Independent Association of Banks of Ukraine, Association of Ukrainian Banks, European Business Association (EBA), UkrSWIFT, Ukrainian Stock Traders, Professional Association of Capital Markets and Derivatives Participants, Ukrainian Interbank Association of Payment System Members EMA.

BANK ALLIANCE JSC is not a member of any other associations, consortia, concerns, corporations or other unions of enterprises.

The Association "Independent Association of Banks of Ukraine" (NABU) is located at 72 Velyka Vasylkivska (formerly Krasnoarmiyska) Street, 3rd entrance, floor 3, office 96, Kyiv, 03150, Ukraine.

The NABU is a non-governmental, non-entrepreneurial, non-profit contractual association of Ukrainian banks.

The mission of the association is to comprehensively contribute to building a stable financial system of Ukraine, solving problems and challenges of the banking system to increase business profitability and develop the national economy.

The main purpose (goal) of the Association is:

- protecting the rights and legitimate interests of the EBA members;
- representing the interests of the Association's members in relations with government agencies, institutions and other persons;
- forming the position of the Association's members on important issues of the banking system, their representation and support in relations with third parties;
- Promoting the creation of an effective regulatory framework for the efficient functioning of the banking system in Ukraine.

The Association of Ukrainian Banks (AUB) is located at 15 E. Sverstyuka St., Kyiv 02002

Purpose (mission): The NBU's mission is to promote the development of the national banking system. This mission is achieved through activities aimed at achieving the following systemic goals.

Legislative activities: Participation of the UBA in the legislative activities of the Verkhovna Rada of Ukraine on the development of the banking system by organizing professional work on draft laws of Ukraine, amendments to laws, as well as targeted work with other state bodies on the adoption

of laws.

Cooperation with the NBU: The DIA and the National Bank of Ukraine cooperate on regulatory issues related to the reliability and stability of the commercial banking system without reducing their economic efficiency.

Increasing public confidence in banks: This goal is achieved through the development of principles of bank behavior based on business ethics and strict adherence to the Code of Honor of the Ukrainian banker.

Protection of banks' interests: Protection and representation of commercial banks' interests in public authorities, in particular: reduction of expenses of the commercial banking system caused by pressure and dictates of administrative state bodies by applying to the court, using other opportunities to disclose illegal actions of administrative bodies.

Retraining of bank staff: Improving the retraining of bank staff by transforming the National Center for Training of Bank Employees (NCBTE) into a basic training center for bank employees, coordinating the activities of other training institutions established with the participation of the DBA.

Foreign cooperation: Representing the interests of the national banking system abroad by expanding ties with associations and other banking institutions in foreign countries.

The European Business Association (EBA) was founded in 1999 with the support of the European Commission in Ukraine. Since then, the EBA has grown to become the most influential and largest business association in Ukraine.

Uniting more than 1,000 companies, the European Business Association is one of the largest business communities operating in the Ukrainian market.

The Association actively promotes cooperation between Ukraine and the EU.

The European Business Association and its team are here to help you build partnerships with the government and establish business ties with the best international and Ukrainian companies. EBA members include leading companies that share the best European business values.

Areas of activity of the association:

- protecting the interests of foreign and domestic investors at the highest state level;
- promoting cooperation between member companies and establishing close contacts between them;
- helping companies develop in the Ukrainian market, including PR opportunities;
- providing member companies with comprehensive information on what is happening in the country and its regulatory environment.

EBA's Kyiv office is located at 8 Knyaziv Ostrozkykh St., Building 7, Kyiv, 01029, Ukraine.

The Bank has been a member of the EBA since 2018.

Association "UKRAINIAN NATIONAL GROUP OF SWIFT MEMBERS AND USERS "UKRSWIFT" is located at the address: 21-A Observatorna St., Kyiv, 04053, Ukraine.

UkrSWIFT is a non-governmental, non-profit association of Ukrainian members and users of the international cooperative SWIFT, which operates in accordance with the Charter and Corporate Rules of SWIFT, uniting legal entities - users of SWIFT in Ukraine, as well as other institutions related to the financial telecommunications sector.

The goal of UkrSWIFT is the highest level of end-to-end information processing.

UkrSWIFT interacts with the Board of Directors of the SWIFT and consolidates the Ukrainian community of users on the basis of coordination of their activities, dissemination of international experience in the field of financial information exchange technologies, implementation of end-to-end information processing standards, and solving problems related to international and local financial telecommunications.

The bank has been a member of the association since 2013.

The Association of Ukrainian Stock Traders is located at 30 Voskresenska St., Dnipro, 49000.

The Association promotes the development of an open and equally accessible capital market in Ukraine, ensures the activities of professional capital market participants who are members of the Association. The Bank has been a member of the AUFT since July 10, 2009 (certificate of membership

No. 728).

On July 21, 2022, the NSSMC deprived the Association of Ukrainian Stock Traders (AUFT) of the status of a self-regulatory organization (SRO) and an association of professional stock market participants (OPUMF) for both types of professional activities - securities trading and custodial activities.

The Professional Association of Capital Market and Derivatives Participants (PARD) (located at 19, Yevhen Sverstyuk St., Kyiv, Ukraine, office 311) is a professional association in the Ukrainian capital market.

The Association, founded in 1996, represents the interests of all domestic depository institutions and financial instrument traders.

The Bank became a PARD member in April 2020 (membership certificate No. 325 of April 04, 2020).

The Ukrainian Interbank Association of Payment Systems Members EMA (located at 58 Kakhovska St., Kyiv, Ukraine) is an association of Ukrainian banks-members of international payment systems.

The EMA Association was established in 1999 as an association of Ukrainian banks-members of the international payment system Europay, but a few years later it became an association of members of both international payment systems - Visa and Mastercard.

EMA works to make the use of non-cash payment instruments and technologies in payments and lending in Ukraine an integral part of the financial culture, as convenient and familiar as in the G-7 and EU countries.

Together with market regulators, the Association forms the legislative and regulatory framework, as well as the national payment program, which enables the Association's members - banks and companies - to develop a secure infrastructure for issuing and servicing payment instruments and services, increase the profitability of their business, and enable consumers of payment services to use payment instruments and services comfortably and with pleasure for settlements in Ukraine and abroad.

The Bank is a member of the following payment systems:

MasterCard

A principal member of the international payment system MasterCard (Name of the payment organization - MasterCard International Incorporated) with a license to issue and acquiring payment cards.

Registered office: 2000 Purchase Street, Purchase, New York 10577, United States of America (US) Representative office in Ukraine: 17/52 B. Khmelnytsky St., Suite 404A, 01030, Kyiv, Ukraine.

VISA

A principal member of the international payment system VISA (the name of the payment organization is Visa International Service Association) with a license to issue and acquiring payment cards.

Registered office: 900 Metro Center Blvd, Foster City, CA 94404, United States of America (US) Representative office in Ukraine: 19/21 B. Khmelnytsky St., 01030, Kyiv, Ukraine.

SPACE

Member of the National Payment System "Ukrainian Payment Space" (Name of the payment organization - the National Bank of Ukraine) with a license to issue and acquiring payment cards.

Union Pay

Principal member of the international payment system UnionPay (Name of the payment organization - UnionPay International) with a license to issue payment cards. Official address: CHINA, PUDONG NEW DISTRICT, SHANGHAI, BUILDING B POLY PLAZA, NO. 6 DONGFANG ROAD, 200120.

Joint activities carried out by the issuer with other organizations, enterprises, institutions, indicating the amount of contributions, the purpose of the contributions (profit, other purposes) and the financial result for the reporting year for each type of joint activity

The Bank did not carry out joint activities with other organizations, enterprises, or institutions.

Any reorganization proposals by third parties that took place during the reporting period, the terms and results of such proposals

During 2023, BANK ALLIANCE JSC did not receive any reorganization proposals from third parties.

Description of the selected accounting policy (depreciation method, inventory valuation method, method of accounting and valuation of financial investments, etc.)

The Bank's accounting policies are based on the accounting rules in accordance with the regulations of the National Bank of Ukraine, which in turn take into account the requirements and principles of International Financial Reporting Standards (IFRS). Financial assets and/or financial liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are recognized by the Bank on the settlement date. The Bank's assets and liabilities are measured and recorded with sufficient care to avoid the possibility of carrying forward existing financial risks to future reporting periods. An asset is recognized when it is probable that future economic benefits will flow to the Bank and the asset's cost or value can be measured reliably. A liability is a present obligation of the Bank arising from past events, which is expected to result in an outflow of resources.

Initial recognition of financial instruments.

Financial assets.

In accordance with International Financial Reporting Standard 9 "Financial Instruments", the Bank's financial assets are classified into one of three categories:

- measured at amortized cost;
- at fair value through other comprehensive income;
- at fair value through profit or loss.

Upon initial recognition, financial assets are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

If, at the date of initial recognition, the fair value of a financial asset differs from its transaction price (excluding transaction costs), the Bank recognizes the difference as follows:

- transactions with shareholders: in equity;
- on other transactions: in profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Bank commits to purchase the asset.

The classification and measurement of financial assets reflects the business model for managing financial assets and their cash flow characteristics.

A financial asset is measured at amortized cost if the following conditions are met simultaneously:

- the asset is held within the business model, the purpose of which is to hold it
- assets to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified as at fair value through other comprehensive income if it is held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank may make an irrevocable election to recognize subsequent changes in the fair value of the instrument in other comprehensive income. This election is made on an investment-by-investment basis and primarily relates to strategic investments that are not investments in subsidiaries.

All other financial assets, i.e. financial assets that do not meet the criteria for classification at amortized cost or at fair value through other comprehensive income, are designated for subsequent measurement at fair value through profit or loss. In addition, the Bank has an irrevocable right to designate a financial asset as at fair value through profit or loss upon initial recognition, and to subsequently change that designation if that choice eliminates or significantly reduces a measurement or presentation inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases (in a different manner).

Financial liabilities.

After initial recognition, the Bank measures and accounts for all financial liabilities at amortized cost, except for the following:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise if the transfer of a financial asset does not meet the conditions for derecognition or the continuing involvement principle is applied;
- financial guarantee, aval, and surety agreements;
- lending commitments at below-market rates;
- contingent consideration recognized by the acquirer in a business combination to which International Financial Reporting Standard 3 Business Combinations applies. Such contingent consideration is subsequently measured at fair value with remeasurement recognized through profit or loss.

Impairment of financial assets.

The calculation of expected credit losses requires the use of accounting estimates and the exercise of judgment in applying the Bank's accounting policies.

The Bank estimates on a forward-looking basis expected credit losses related to active debt instruments carried at amortized cost and fair value through profit or loss, as well as to amounts due under loan commitments, lease receivables and financial guarantees. The Bank establishes an allowance for such losses at each reporting date.

The estimate of expected credit losses reflects an objective and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The estimation of allowances for expected credit losses for financial assets measured at amortized cost and at fair value through other comprehensive income is an area that requires the use of sophisticated models and significant assumptions about future economic and debt service conditions.

Significant judgments required in applying the accounting requirements for estimating expected credit losses include:

- determining the criteria for a significant increase in credit risk;
- selecting appropriate models and assumptions for estimating expected credit losses;
- determining the number and relative weight of forecast scenarios for each type of product/market and the corresponding expected credit losses;
- identifying groups of similar financial assets for the purpose of estimating expected credit losses.

For the Bank, credit risk is the risk of financial loss if a counterparty, customer or market partner fails to meet its contractual obligations. Credit risk arises principally from interbank, commercial and consumer loans and commitments to extend credit related to such lending activities, but may also arise from the provision of collateral in the form of financial guarantees, letters of credit and acceptances.

The valuation of credit exposures for risk management purposes is complex and requires the use of models, as exposures change with market conditions, expected cash flows and over time.

The assessment of credit risk in relation to a portfolio of assets involves further estimates of probability of default, associated loss ratios and correlations of default between counterparties. The Bank calculates credit risk using probability of default (PD), exposure at risk of default (EAD) and loss given default (LGD).

IFRS 9 introduces a three-stage impairment model based on changes in the credit quality of an instrument since initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and its credit risk is subject to further ongoing monitoring. If there has been a significant increase in credit risk since initial recognition, the financial instrument is transferred to Stage 2, but it is not yet considered credit-impaired. If the financial instrument is credit-impaired, it is transferred to Stage 3.

For financial instruments in Stage 1, the expected credit losses are measured as a portion of the lifetime ECLs that are expected to arise from default events within Ordinary 12 months. For instruments in Stage 2 or 3, the expected credit losses are measured based on the credit losses expected to arise from default events over the entire life of the instrument.

IFRS 9 requires that forward-looking information be taken into account when calculating expected credit losses. Purchased or originated credit-impaired financial assets are financial assets that are credit-impaired at the date of initial recognition. Expected credit losses for such instruments are always measured on a lifetime basis.

Impairment of property, plant and equipment and intangible assets.

Depreciation is the systematic allocation of the depreciable value of property, plant and equipment and intangible assets over their useful lives.

Property, plant and equipment and intangible assets are depreciated over their useful lives, which are determined by the Bank at the time of their initial recognition and reviewed at the end of each reporting year, during the annual stocktaking, and adjusted if necessary.

Depreciation of property, plant and equipment is calculated using the straight-line method based on cost, residual value and useful life, whereby the annual depreciation amount is determined by dividing the depreciable amount by the useful life of the item.

The following useful lives of property, plant and equipment were established:

Buildings, structures	50 years
Vehicles	7 years
Furniture	5 years
Computer equipment and other equipment	5 years
Tools, appliances, inventory	5 years
Other property, plant and equipment	12 years
Improving the leased premises	until the end of the lease term

Low-value non-current tangible assets are depreciated at 100% of their value in the first month of use.

The useful lives of intangible assets range from 2 to 10 years.

The main types of services that accounted for 10% or more of the Bank's income for the reporting year

During 2023, the Bank demonstrated a slowdown in development due to Russia's full-scale war against Ukraine (martial law was declared throughout Ukraine on February 24, 2022), which led to a deep crisis and negative consequences for the financial sector. However, by operating smoothly, maintaining liquidity, and continuing lending, the Bank has more than successfully withstood the challenges of the war, as evidenced by its dynamics of key performance indicators for the year, in particular, as of January 01, 2024:

- The balance sheet currency amounted to UAH 12,408 million (+27%);
- highly liquid assets - UAH 2,095 million (+25%);
- OGP - UAH 4,988 million (+69%);
- customer loan portfolio - UAH 3,718 million (-22%);
- customer accounts - UAH 9,377 million (+44%);
- capital - UAH 1,085 million (-4%).

The successful choice of the Bank's business model is confirmed by positive financial results even in the conditions of martial law - the Bank's net profit amounted to UAH 95 million.

Total revenues amounted to UAH 2,276,682 thousand, including:

INCOME STATEMENT	AMOUNT, thousand UAH	SHARE, %
Interest income	1 447 583	63,58%
including interest income from OVCs	355 666	15,62%
Fee and commission income	430 098	18,89%
Trading result	354 160	15,56%
Income from other operations	44 841	1,97%
TOTAL:	2 276 682	100,00%

Thus, the main part of the Bank's income during the reporting year was made up of **interest income**, the main share of which was derived from lending to customers (UAH 827 million, or 36% of the Bank's total income), the key component of which is lending to corporate customers (57% of the Bank's total interest income), as well as from domestic government bonds (UAH 355 million, or 25% of the Bank's total income). **Corporate lending** is a priority area of the Bank's development. The corporate business development strategy envisages financing in the segments of small and medium-sized businesses and microenterprises, in particular, in the following promising areas of the economy:

- agro-industrial complex;
- foreign economic activity;
- Mechanical engineering;
- oil and gas industry;
- energy;
- transportation and infrastructure;
- processing industry;
- wholesale trade, including energy, mineral fertilizers, etc;
- medical services;
- service companies that provide services in the above industries.

The Bank pursues a prudent lending policy and pays considerable attention to the formation of a high-quality loan portfolio. Lending transactions are carried out at interest rates in accordance with the standard terms and conditions of banking products. The Bank does not set interest rates below the break-even point.

In 2023, the Bank's documentary business portfolio continued to grow. In the guarantee services segment, the Bank issues tender guarantees, contract performance guarantees, payment guarantees, advance payment refund guarantees, and IATA payment guarantees. The share of fee and commission income from documentary business is the most significant in the structure of fee and commission income and amounts to 52% of total fee and commission income, or 10% of total income of the Bank.

Along with active operations, the Bank is actively expanding the list of cash and settlement and other services for both corporate and individual clients. When developing and introducing new products, the Bank takes into account the needs and activities of individual customers. In general, the Bank's activities are not seasonal, but they depend to a certain extent on the seasonality of customers' activities and their geographical location. The aggregate share of fee and commission income from customer service (excluding documentary operations) amounted to 9% in 2023.

Given the decline in certain performance indicators compared to the previous reporting period and taking into account the objectivity of the above, namely, the Bank's activities under martial law in the country, the overall performance results for 2023 are satisfactory.

Detailed information on the Bank's financial performance indicators for the reporting year is provided in the Annual Financial Statements of BANK ALLIANCE JSC for 2023.

9. Bank key performance indicators and their dynamics

During 2023, BANK ALLIANCE JSC demonstrated profitable results.

Item	Reporting year	Previous year
1	2	3
Total Assets	12 408 029	10 119 443
Highly liquid assets	2 095 102	1 053 461
ODVP	4 988 187	3 185 713
Loans and advances to customers	3 717 686	4 517 027
Customer funds	9 377 065	5 857 145
Equity capital	1 084 857	990 087

Item	Reporting year	Previous year
1	2	3
Net Operating Income	1 120 183	1 273 732
Profit before taxation	122 895	95 521
Profit	94 793	76 985

The military aggression of the Russian Federation and the introduction of martial law throughout Ukraine had a negative impact on the Bank's performance. The total outflow of the loan portfolio in 2023 amounted to UAH 800 million, the increase in customer accounts was UAH 3,520 million, and the increase in net assets was UAH 2,289 million. The Bank's net operating profit decreased by UAH 154 million due to currency transactions.

The financial results for 2023 are evidence of the successful work of the Bank's Executive Body and give significant confidence in achieving the Bank's strategic objectives for 2024-2026.

The bank is characterized by a viable business model that allows it to demonstrate outperformance compared to the banking system as a whole.

The key for the Bank in terms of revenue generation is lending to legal entities. The Bank expects that in the medium term, the loan portfolio of both businesses and individuals in the banking system as a whole will continue to grow, which confirms that the Bank's business model is correct.

It is appropriate to conclude that the entity will continue as a going concern for at least another 12 months from the reporting date (not limited to this period).

10. Relations with shareholders and related parties

Pursuant to Article 52 of the Law of Ukraine "On Banks and Banking Activities", transactions with related parties may not provide for terms that are not current market conditions.

In 2023, the Bank did not enter into any transactions that should be classified as significant or related-party transactions.

Balances with related parties as at 31 December 2023

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Customer funds	23 309	12 018	21 346
Loans and advances to customers	42 096	-	1 033
Allowance for loan losses as at 31 December 2023	(2 152)	-	(780)

Income and expenses from transactions with related parties for 2023

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Interest income	2 207	0	272
Interest expense	(91)	(237)	(18)
Fee and commission income	0	1	115
Administrative and other operating expenses	-	(41 417)	(2 922)

Total loans granted to and repaid by related parties in 2023

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Loans granted to related parties during the period	23 319	509	1 513
Loans repaid by related parties during the period	20 036	509	2 369

Approved for issue and signed

21 March 2024

Management Board Chairman
BANK ALLIANCE JSC



Yuliia FROLOVA

**BANK ALLIANCE
JOINT STOCK COMPANY**

2023 annual financial statements

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders, Supervisory Board, Management
of BANK ALLIANCE JOINT-STOCK BANK

National bank of Ukraine

National Securities and Stock Market Commission

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of BANK ALLIANCE JOINT STOCK COMPANY (hereinafter referred to as the Bank), which comprise the Statement of Financial Position (Balance Sheet) as at 31 December 2023, Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Performance), Statement of Changes in Equity (Statement of Shareholders' Equity) and Statement of Cash Flows (using the direct method) for the year ended 31 December 2023, and a 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 31 December 2023, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and the requirements for the preparation of financial statements set out in the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" of 16 July 1999 No. 996-XIV.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements applicable in Ukraine to our audit of the financial statements, and perform other duties of ethics in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to Notes 2 and 3 to the Bank's financial statements, which contain information on the impact on the Bank of the martial law imposed since 24 February 2022 (related to the Russian aggression and invasion of Ukraine) and the economic crisis and political instability, the final resolution of which cannot be predicted with sufficient certainty and which may adversely affect the Bank's operations as a whole. In a rapidly changing economic environment, the Bank's budgets and forecasts may require significant revisions by the Bank's management with respect to operational and financial factors and may affect the Bank's going concern.

As noted in Note 3, these events or conditions, along with the other matters described in Notes 2 and 3, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

Our opinion is not modified in this regard.

Explanatory paragraph

Reporting in iXBRL format

The Law of Ukraine "On Accounting and Financial Reporting in Ukraine" requires the Bank's IFRS financial statements be prepared in a single electronic format (iXBRL). As described in Note 1 to the financial statements, as at the date of this audit report, the Bank's management has not yet prepared the 2023 financial statements in iXBRL format, with a view to preparing and submitting financial statements in iXBRL format in accordance with the NBU requirements. Our opinion is not modified in respect of this matter.

Court cases

We draw attention to Note 34 "Contingencies" to the financial statements, which discloses information on the amount of material property claims that the Bank is exposed to. Our opinion is not modified in respect of this matter.

Issue of shares

We draw attention to Note 39 "Events after the Balance Sheet Date", which indicates that as at the date of approval of the financial statements, the Supervisory Board decided to refuse to issue the Bank's shares (decision of the General Meeting of Shareholders of the Bank of 21 December 2023, Minutes No. 5/2023) as there were no contributions received for the placement period. The Bank envisages to increase the authorized capital in accordance with the Strategy of BANK ALLIANCE JSC for 2024-2026 adopted by the Supervisory Board of the Bank (the Resolution of the Supervisory Board No. 50 of 12/28/2023). Our opinion is not modified in this regard.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current period financial statements. 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 matters described in the Going Concern section, we have determined that the matters described below are the key audit matters that should be addressed in our report.

Key audit matter

What audit procedures were performed on the key audit matter

Allowance for expected credit losses on loans and advances to customers, UAH 1,127,436 thousand.

Due to the materiality of the allowance for impairment of loans and advances to customers to the Bank's financial position and the need and complexity of applying management judgment in estimating expected credit losses ("ECL") in accordance with IFRS 9 "Financial Instruments", we consider this matter to be a key audit matter.

The identification of a significant increase in credit risk since initial recognition, based on changes in credit ratings, days overdue, and other objective and subjective factors, as well as the recognition of an event of default, the estimation of probability of default (PD), as well as the amount of loss given default (LGD) and the forecast of cash flows relating to collateral require the exercise of judgment.

The estimation of expected credit losses is also based on current and projected financial performance, observable historical data, the time value of money, and current and projected economic conditions. The use of different models, assumptions and forecasts may result in different estimates of the allowance for expected credit losses.

We have analyzed the key aspects of the methodology and policies developed by the Bank for the calculation of ECLs for compliance with IFRS 9.

Our audit procedures also included:

- Evaluation of credit risk models and assumptions used to determine key provisioning parameters and calculate the ECL on a portfolio basis;
- Testing on a sample basis the correctness of the Bank's Stage assignment to borrowers based on the analysis of financial and non-financial information, as well as assumptions and professional judgments used by the Bank;
- For individually assessed borrowers (Stage 3), we estimated future cash flow assumptions based on our best judgment and taking into account available market information;

Key audit matter

What audit procedures were performed on the key audit matter

Notes 7 and 32 included in the financial statements provide detailed information on expected credit losses on loans and advances to customers and the Bank's financial risk management policies.

- In testing the portfolio-based allowance for ECL, we analyzed internal credit ratings and underlying statistical models, key inputs and assumptions used in calculating the ECL.

We also assessed the disclosures in the notes to the financial statements regarding the allowance for loan impairment on loans and advances to customers.

Other matters

The Bank's financial statements for the year ended 31 December 2022 were audited by another auditor, who on 23 May 2023 expressed a modified opinion on the financial statements due to the inconsistency of the Bank's judgments with current market conditions in determining the fair value of financial assets (government bonds) at the date of their reclassification. This matter was resolved during the preparation of these financial statements. We have reviewed the Bank's interim financial statements for the 1st and 3rd quarter of 2023, and our opinions of 29 June 2023 and 22 December 2023 were not modified.

Other information

The management is responsible for the other information. The other information is not a financial statement and our auditor's report thereon and includes:

- Bank Management Report (Governance Report) as at 31 December 2023 and for the year then ended, which includes in a separate section the information on corporate governance received by us prior to the date of this Auditor's Report;
- Annual information of the issuer of securities for 2023, which is disclosed and submitted to the National Securities and Stock Market Commission (hereinafter - the NSSMC), which also includes the Corporate Governance Report and which is expected to be provided to us after the date of this Auditor's Report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information mentioned above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact

Management Report (Governance Report) for 2023

We have concluded that the financial information in the 2023 Management Report is consistent, in all material respects, with the financial statements for the reporting period.

Annual information of the issuer of securities for 2023

The Bank expects to prepare and publish the 2023 Annual Information of the Issuer of Securities after the date of this independent auditor's report. Upon receipt and review of the 2023 Annual Information on the Issuer of Securities, if we conclude that there is a material misstatement, we are required to communicate this to those charged with governance.

Responsibilities of Management and Supervisory Board for the financial statements

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

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

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibility for the audit of financial statements

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

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

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

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

We also provide the Supervisory Board 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 the Supervisory Board, we determine those matters that were of most significance in the audit of the current period financial statements 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

Other information required by Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities"

The following information is provided pursuant to the requirements of part 4 of Article 14 of the Law of Ukraine "On Audit of Financial Statements and Auditing Activities" No. 2258-VIII of 21 December 2017, which is mandatory for submission based on the results of the audit of an enterprise of public interest.

Purpose and duration of the audit engagement

The decision to appoint us as auditors was made at the meeting of the Supervisory Board of the Bank held on July 17, 2023, Minutes of the Supervisory Board No. 26 of July 17, 2023.

This year is the first year we have been appointed as the Bank's auditors.

On the scope of the audit and inherent limitations of the audit

We determine the scope of our audit to obtain sufficient audit evidence to provide an opinion on whether the Bank's financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework, and are reasonable in all material respects, including the appropriateness of accounting estimates and controls, and the specific environment in which the Bank operates.

We conducted our audit in accordance with ISAs and relevant ethical requirements to provide a basis for our opinion. Because of the inherent limitations of an audit, most of the audit evidence on which we form our conclusions and on which our opinion is based is persuasive rather than conclusive, and therefore, an audit does not provide absolute assurance that the financial statements are free from misstatement, and our audit does not provide assurance on the future viability of the Bank or the efficiency or effectiveness of the Bank's management.

Identification and assessment of potential risks associated with breaches	Auditor's responses to assessed risks
<p>In identifying and assessing the risks of material misstatement in terms of detecting irregularities, including those related to fraud and non-compliance with legal requirements and regulations, the following were considered, among other things:</p> <ul style="list-style-type: none"> - making inquiries of management and those with the highest level of authority, including obtaining and reviewing supporting documentation regarding the Bank's policies and procedures with respect to: <ul style="list-style-type: none"> - Identifying, assessing and complying with legal and regulatory requirements, and reporting any violations; - Identifying and responding to fraud risks and being aware of any actual, suspected or potential fraud; - internal controls implemented to mitigate the risks associated with fraud or non-compliance with laws and regulations; - Discussion among the audit team members about the circumstances and at what stage the Bank's financial statements may be susceptible to material misstatement, including the manner in which the fraud may have been committed. During these discussions, we identified the potential for fraud in the following areas: revenue recognition and management bias in the presentation of accounting estimates and application of accounting policies; 	<p>As a result of our risk identification and assessment procedures, we have identified the provision for expected credit losses on loans and advances to customers as a key audit matter. The Key audit matters section of our report explains these matters in more detail and describes the specific procedures we performed in response to the assessed risks. Our procedures in response to other identified risks included, among other things, the following:</p> <ul style="list-style-type: none"> - Reviewing the financial statement disclosures and testing supporting documentation to assess compliance with the requirements of the relevant laws and regulations discussed in the section; - Inquiries to management, those with the highest level of authority, and in-house counsel regarding existing and potential legal actions and claims; - performing analytical procedures to identify any unusual or unexpected relationships that may indicate the risks of material misstatement due to fraud; - Reviewing the minutes of meetings of those with the highest authority; and - testing the appropriateness of general ledger entries and other adjustments; assessing whether the judgments and decisions made by management in making accounting estimates are subject to bias; and evaluating the business case for significant transactions that are unusual or outside the ordinary course of business.

Identification and assessment of potential risks associated with breaches	Auditor's responses to assessed risks
- Obtaining an understanding of the laws and regulations applicable to the Bank and forming its legal and regulatory framework. In doing so, we paid particular attention to those laws and regulations that had a direct impact on the Bank's financial statements. The key laws and regulations that we considered in this context included tax legislation.	We also communicated the relevant identified laws and regulations and potential fraud risks to all members of the audit engagement team and remained alert throughout the audit for any indications of fraud or non-compliance with laws and regulations.

In the Key Audit Matters section of this report, we have disclosed the matters that, in our professional judgment, were significant in our audit of the Company's financial statements of the current period and should have been brought to our attention. These matters were addressed in the course of our audit of the financial statements as a whole and are not a substitute for a modified opinion and we do not express a separate opinion on these matters.

An explanation of the extent to which irregularities, including fraud, were considered possible to detect

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

We design and perform audit procedures in accordance with our responsibilities stated above in the Auditor's responsibilities for the audit of the financial statements in response to the assessed risks of material misstatement of the financial statements, whether due to fraud or otherwise, and to detect noncompliance with legal and regulatory matters that could have a material effect on the financial statements. However, the Bank's Supervisory Board and management are ultimately responsible for the prevention and detection of fraud and for compliance with legal and regulatory requirements.

Consistency with the supplementary report to the audit committee

The auditor's opinion contained in this independent auditor's report on the audit of the Bank's financial statements is consistent with the additional report to the Audit Committee of the Supervisory Board (Audit Committee).

Provision of non-audit services and independence

During 2023 and in the period from January 1 to the date of signing of this independent auditor's report, KRESTON UKRAINE LLC did not provide the Bank or its controlled entities with non-audit services specified in the fourth part of Article 6 of the Law of Ukraine "On Audit of Financial Statements and Auditing Activities" No. 2258-VIII of 21 December 2017.

KRESTON UKRAINE LLC and the key audit partner are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code") and the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code.

During 2023 and in the period from January 1 to the date of signing this report, we did not provide any other services to the Bank or controlled entities, except for the statutory audit and review of the Bank's interim financial statements for the 1st and 3rd quarters of 2023.

Report in accordance with the requirements of Section IV, paragraph 11 of the "Instruction on the Procedure for Preparation and Disclosure of Financial Statements of Ukrainian Banks", approved by Resolution of the Board of the National Bank of Ukraine No. 373 of October 24, 2011 (as amended)

Based on the work performed during our audit of the Bank's financial statements, we concluded that the Management Report for 2023 was prepared in accordance with the requirements of Section IV of Instruction No. 373 and the information in the Management Report for 2023 is consistent with the financial statements.

We are required to report if we determine that the Management Report (Management Report) for 2023 contains material misstatements in light of our knowledge and understanding of the Bank obtained in the course of our audit of the Bank's financial statements. We have not identified any matters that should be included in this auditor's report.

The report is submitted in accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities", "Regulations on the Procedure for Submission by a Bank to the National Bank of Ukraine (hereinafter - the NBU) of the Auditor's Report on the Results of the Annual Audit of Financial Statements", approved by Resolution of the NBU Board No. 90 of August 2, 2018.

Regarding the compliance (reliability of reflection) of the distribution of the Bank's assets and liabilities by maturity in the file with statistical reporting indicators A7X "Data on the structure of assets and liabilities by maturity", prepared by the Bank for submission to the National Bank of Ukraine, as of January 01 of the year following the reporting year.

As a result of the work performed to the extent necessary to determine the nature and scope of the audit procedures in relation to the Bank's financial statements, we did not identify any facts that would indicate a material inconsistency (unreliability) in the distribution of the Bank's assets and liabilities in the file with statistical reporting indicators A7X "Data on the structure of assets and liabilities by maturity" as at January 01, 2024.

On the Bank's compliance with internal control requirements

As a result of our audit procedures performed as part of the audit of the Bank's financial statements, we have not identified any evidence that the Bank's structure and controls do not comply in any material respect with the requirements of the NBU regulations, including the requirements of the Regulation "On Organization of the Internal Control System in Ukrainian Banks and Banking Groups" approved by the NBU Board Resolution No. 88 of July 2, 2019.

Regarding the Bank's compliance with internal audit requirements

The Bank has a separate internal audit unit that reports to the Supervisory Board. As a result of our work on the audit of the financial statements, we did not identify any facts that would indicate that the Bank's internal regulations governing internal audit procedures do not comply with the requirements of the NBU regulations. Also, we did not identify any facts of internal audit procedures not being performed in compliance with the provisions of the Bank's internal regulations and/or the NBU regulations, in particular, the Regulation "On Organization of Internal Audit in Banks of Ukraine" approved by the NBU Resolution No. 311 of May 10, 2016.

Regarding the Bank's compliance with the requirements for determining the amount of credit risk on active banking operations

In accordance with the requirements of the "Instruction on the Procedure for Regulation of Banks in Ukraine" approved by the NBU Board Resolution No. 368 of August 28, 2001 (as amended), in order to determine the real amount of regulatory capital taking into account the risks in its activities, the Bank is obliged to constantly assess the quality of active banking operations (classify them), as well as determine the amount of credit risk in accordance with the Regulation "On Determination of the Amount of Credit Risk for Active Banking Operations by Banks of Ukraine" approved by the NBU Board on August 28, 2001. As a result of our audit procedures performed in the course of the audit of the Bank's financial statements, we did not identify any non-compliance with the requirements of the NBU regulations or other material weaknesses that would indicate the existence of material discrepancies and/or errors in the calculation of the Bank's credit risk as at the reporting date.

Regarding the Bank's compliance with the capital adequacy requirements, which is determined taking into account the quality of the Bank's assets

The Bank's regulatory capital was calculated in accordance with the requirements of the "Instruction on the Procedure for Regulating the Activities of Banks in Ukraine" approved by the NBU Board Resolution No. 368 of August 28, 2001, and complies with the regulatory requirements for the established minimum amount as at the reporting date. The Bank's capital ratios exceed the regulatory requirements (Note 33 "Capital Management").

Regarding the Bank's compliance with the requirements for recognizing related parties and conducting transactions with them

As a result of our analysis of the processes of identifying related parties, approving the terms and conditions of transactions with them, as well as the volume and structure of such transactions, we did not identify any facts that would indicate a material non-compliance of the processes of recognizing related parties and transactions with them with the requirements of the Regulation "On Determining Related Parties" approved by the NBU Board Resolution No. 315 of May 12, 2015, and other regulatory requirements.

Regarding the Bank's compliance with accounting requirements

Based on our audit of the financial statements, we did not identify any material weaknesses that would indicate non-compliance with the requirements of the NBU regulations and/or the Bank's internal regulations (including the Bank's Accounting Policy) on accounting matters.

Additional information provided in accordance with the "Requirements for Information Regarding the Audit or Review of Financial Statements of Participants in Capital Markets and Organized Commodity Markets Supervised by the National Securities and Stock Market Commission" approved by the Decision of the NSSMC of 27 July 2021 No. 555 (hereinafter - the NSSMC Information Requirements No. 555).

Without qualifying our opinion, in the following explanatory paragraphs we draw attention to additional information, the conclusion on which is required by the requirements for the conclusion to be submitted to the NSSMC as part of the documents for issuance, registration of issue and approval of the securities prospectus, approval of the securities prospectus, by issuers of shares for registration of the report on the results of the issue/placement of shares (except for CII securities) in accordance with the Information Requirements of the NSSMC No. 555.

The financial statements of BANK ALLIANCE JOINT STOCK COMPANY were audited in accordance with the audit engagement agreement No. 2469/IFRS/111/03 of October 30, 2023 for the period from October 30, 2023 to the date of this auditor's report.

Basic information about the legal entity

Bank full name	BANK ALLIANCE JOINT STOCK BANK
Identification code	14360506
Location	50 Sichovykh Striltsiv Str., Kyiv, 04053, Ukraine
Date of state registration	Date of state registration: 10.03.1992, date of entry: 02 December 2004 Record number: 10731200000001834 Date of registration by the NBU: 10.03.1992, registration no: 89
Date of the last amendments to the Charter (constituent documents)	The latest changes - minutes of the general meeting of participants No. 4/2023 of 10 November 2023, the new version of the charter was approved by the NBU on 21 December 2023 The new version of the Charter was registered on 29 December 2023, registration number of the case 107406647891
Data on the legal entity, the legal successor of which is the Bank	Commercial Joint Stock Bank Alliance Credit Bank
Main activities:	64.19 Other types of money intermediation (main)
Number of employees	534 people
Manager	Board Chairman Frolova Yuliia Mykolaivna
Chief Accountant	Chief Accountant Bochkovska Nataliia Anatoliivna
Controller/participant of a non-bank financial group	The Bank is not a controller/participant of a non-bank financial group
An enterprise of public interest	The Bank is an enterprise of public interest
Parent company or subsidiaries within the meaning of IFRS 10 "Consolidated Financial Statements"	No parent or subsidiary companies
Prudential indicators established by the NSSMC for the relevant type of activity for professional participants in capital markets and organized commodity markets	The prudential indicators established by the NSSMC for the relevant type of activity for professional participants in capital markets and organized commodity markets do not apply to banks engaged in professional activities in the stock market in accordance with the "Regulation on Prudential Standards for Professional Activities in the Stock Market and Requirements for the Risk Management System" approved by the NSSMC Decision No. 1597 of October 1, 2015.
Information on the results of the audit of the financial and economic activities of the joint-stock company based on the results of the financial year prepared by the audit committee, which is provided for in part 4 of Article 75 of the Law of Ukraine "On Joint Stock Companies"	There is no audit committee in the Bank

Opinion on the full disclosure by the legal entity (applicant or participant in capital markets and organized commodity markets) of information on the ultimate beneficial owner (if any) and ownership structure as of the date of the audit.

According to the information from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations, the owner of the Bank's significant interest and the ultimate beneficial owner (controller) of the Bank is a citizen of Ukraine, Mr. Oleksandr Sosis (his share is 89.289006% of the Bank's authorized capital). The Bank's management holds a share of 3.9949% of the Bank's authorized capital. Other shares are distributed among other shareholders, none of whom owns a share equal to or greater than 10% of the Bank's share capital.

In our opinion, the information on the ultimate beneficial owner and ownership structure of the Bank, as disclosed in Note 1 to these financial statements, is properly disclosed by the Bank in accordance with the requirements set out in the "Regulations on the Form and Content of the Ownership Structure" approved by the Order of the Ministry of Finance of Ukraine of March 19, 2021 No. 163.

Compliance of the authorized capital with the constituent documents or information from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations;

In our opinion, the amount of the Bank's authorized capital according to the financial statements as at 31 December 2023 of UAH 457,280 thousand (line "Share capital" in the Bank's Statement of Financial Position) complies with the current constituent documents and information from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

Completeness of formation and payment of the authorized capital.

The authorized capital of the previous share issue was formed as follows:

On November 20, 2020, the Extraordinary General Meeting of Shareholders of the Bank (Minutes No. 4/2020 of November 20, 2020) decided to "Increase the authorized capital of BANK ALLIANCE JOINT STOCK COMPANY by UAH 92,160 thousand to a total of UAH 457,280 thousand, by increasing the nominal value of each share from UAH 22.82 to UAH 28.58, against allocating to the authorized capital of the Bank part of the profit for 2018 of UAH 480 thousand and part of the profit for 2019 of UAH 91,680 thousand.

On 11.02.2021, the National Bank of Ukraine approved the Bank's new version of the Charter in connection with the increase of the authorized capital to UAH 457,280 thousand. On 18.03.2021, the registration authority carried out the state registration of the Bank's Charter and amended the information about the Bank in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations in terms of information about the Bank's authorized capital: the authorized capital was registered at UAH 457,280 thousand.

On June 03, 2021, the NSSMC decided to register the issue of the Bank's shares totalling UAH 457,280 thousand with a nominal value of UAH 28.58 of 16,000,000 shares. The Bank received a certificate of registration of the issue of shares of BANK ALLIANCE JOINT STOCK COMPANY (registration number 27/1/2021, registration date June 03, 2021, date of issue June 03, 2021). After the Bank received the certificate of registration of the issue of the Bank's shares for the total amount of UAH 457,280 thousand. The Bank reissued the global certificate, which was deposited by the National Depository of Ukraine on June 08, 2021.

Thus, as at 31 December 2023, the Bank registered share capital of UAH 457,280 thousand was fully formed and paid in accordance with the requirements of the legislation of Ukraine. In our opinion, the management's statement that the Bank's share capital was fully formed and paid up as at 31 December 2023 is reliable.

Compliance of the issuer's equity capital as of the last reporting date preceding the date of the decision to issue shares in connection with the increase in the authorized capital with the requirements of the law.

The issue of the shareholders' decision "To increase the authorized capital of BANK ALLIANCE JOINT STOCK COMPANY from UAH 457,280 thousand to UAH 691,636 thousand by UAH 234,356 thousand by placing 8,200,000 ordinary registered shares with a nominal value of UAH 28.58 against additional contributions" was put to the vote at the Extraordinary General Meeting of Shareholders (last day of voting - December 21, 2023).

As at the last reporting date preceding the date of the decision to issue shares, according to the Bank's interim condensed statement of financial position (Balance Sheet) as at 30 September 2023, the Bank's equity amounted to UAH 1,150,787 thousand, of which share capital - UAH 457,280 thousand, reserve and other funds - UAH 61,083 thousand, retained earnings - UAH 632,424 thousand.

In our opinion, the amount of the Bank's equity capital as of the last reporting date preceding the date of the decision to issue shares in connection with the increase in the authorized capital complies with the requirements of the law.

Information about events after the balance sheet date that are not reflected in the financial statements but may have a significant impact on the financial position of the legal entity, in particular, compliance with the legal requirements for the amount of the issuer's equity capital.

In the course of performing our audit procedures in relation to these financial statements, nothing has come to our attention that may indicate that there are any post-balance sheet events that have not been disclosed in the financial statements but may have a material effect on the Bank's financial position, including the non-compliance of the Bank's equity with the requirements of the law.

Completeness and reliability of disclosure of information on the composition and structure of financial investments.

As at 31 December 2023, the carrying amounts of financial investments carried at amortized cost amounted to UAH 4.492 billion (Ukrainian government bonds, corporate bonds, deposit certificates issued by the NBU) and financial investments carried at fair value amounted to UAH 1.598 billion (Ukrainian government bonds, shares). These investments are included in the line "Investments in financial instruments" in the Bank's Statement of Financial Position (Balance Sheet). The Bank disclosed information on the composition and structure of financial investments in Note 8. In our opinion, such information is disclosed in full and fairly.

Information on the existence of other facts and circumstances that may significantly affect the legal entity's activities in the future, and an assessment of the extent of their impact.

As part of our audit of these financial statements, in the going concern section of this report, we have addressed a matter that has been disclosed that does not require an adjustment to the financial statements. However, we have not qualified our opinion on this matter.

No other facts and circumstances have come to our attention that may have a material impact on the Bank's future operations.

Information to be specified in the opinion (report) on the audit of financial statements in accordance with part 3 of Article 127 of the Law No. 3480-IV "On Capital Markets and Organized Commodity Markets" of 23.02.2006 No. -3480IV (hereinafter - the Law No-. 3480IV), and clause 43 of the Regulation on Disclosure of Information by Securities Issuers and Persons Providing Security for Such Securities (approved by the decision of the NSSMC of 06 June 2023 No. 608, hereinafter - the Regulation on Disclosure of Information of the NSSMC No. 608)

The Bank's management is responsible for the preparation of the Corporate Governance Report in accordance with the requirements of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets", paragraphs 6-11 of the Regulation on Disclosure of Information of the NSSMC No. 608.

The Bank is not an issuer of infrastructure bonds and is not an issuer of green bonds.

We have reviewed the information included in the Bank's Corporate Governance Report for 2023, the disclosure of which is required by subparagraphs 1-4 of part 3 of Article 127 of the Law No. 3480-IV, and verified the reliability of such information as required by subparagraphs 1-5 of paragraph 43 of the Regulation on Disclosure of Information of the NSSMC No. 608, namely

- a link to the Bank's corporate governance code, including a link to the text of the relevant code in the public domain;
- information on the general meeting of shareholders (participants) held and a general description of the decisions taken at the meeting;
- information on the personal composition of the Supervisory Board and the collegial executive body of the Bank, their committees (if any), information on meetings held and a general description of the decisions taken at them, as well as reports of the Board and the collegial executive body;
- information on the presence of a corporate secretary, as well as a report on the results of his/her activities.

The above information is reliable in accordance with the requirements of subpara. 1-5 of clause 43 of the Regulation on Disclosure of Information by Issuers No. 608 and is consistent with the information contained in the Bank's internal, corporate and statutory documents for the reporting period ended December 31, 2023, and disclosed in accordance with the requirements of clauses 1-4 of part 3 of Article 127 of the Law No. 3480-IV and is consistent with the financial statements.

We have also reviewed the information provided in the Bank's Corporate Governance Report for 2023, the disclosure of which is required by clauses 5-9 of part 3 of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" and clauses 6-11 of clause 43 of the NSSMC Disclosure Regulation. 6-11 of clause 43 of the Regulation on Disclosure of Information of the National Securities and Stock Market Commission No. 608. Based on the work performed during the audit, we concluded that the information, namely: a description of the main characteristics of the Bank's internal control and risk management systems, as well as a list of the Bank's structural units that perform key duties to ensure the operation of the internal control and risk management systems; information on the availability of an approved issuer risk exposure declaration, as well as a description of the key provisions of the issuer risk exposure declaration; a list of persons who directly or indirectly own 6-11 of clause 43 of Regulation on Disclosure of Information of the NSSMC No. 608.

Basic information about the audit firm

Audit firm name	KRESTON UKRAINE LLC
Legal entity identification code	22022137
Registration number of the audit firm in the Register of Auditors and Audit Entities	1132
Website	https://kreston.ua
Audit agreement date and number	No. 2469/IFRS/111/03 of October 30, 2023
Audit start and end date	30.10.2023-10.04.2024

The key audit partner responsible for the audit resulting in this independent auditor's report is

Auditor Vitalii Rostaniuk
Registration number in the Register of Auditors
and audit entities: 101043



For and on behalf of KRESTON UKRAINE LLC

Director:
Registration number in the Register of Auditors and
of audit entities: 101004

172 Antonovycha St., Kyiv, 03150, Ukraine
10 April 2024



Andrii Domrachov

Statement of financial position (Balance sheet)
BANK ALLIANCE JSC
as at 31 December 20 23

<i>In thousands of hryvnias</i>	Notes	Dec 31, 2023	Dec 31, 2022
ASSETS			
Cash and cash equivalents	6	2 091 735	1 049 498
Loans and advances to customers	7	3 717 686	4 517 027
Investments in financial instruments	8	6 089 726	4 026 891
Derivative financial assets	9	11 086	6 400
Current income tax receivable		283	5
Deferred tax asset		44 736	45 588
Property, plant and equipment and intangible assets	10	82 005	68 412
Investment property	11	43 471	106 772
Right-of-use assets	12	35 438	46 192
Non-current assets held for sale and assets of disposal groups	13	123 874	92 149
Other financial assets	14	143 536	143 301
Other non-financial assets	14	24 453	17 208
Total assets		12 408 029	10 119 443
LIABILITIES			
Placements with banks	15	700 145	2 100 000
Customer deposits	16	9 377 065	5 857 144
Current income tax liability		3 202	48 924
Liability reserves	17	72 227	40 343
Lease liabilities	18	35 930	57 126
Subordinated debt	19	293 759	290 952
Other fundraising	20	268 965	397 071
Other financial liabilities	21	545 174	317 472
Other non-financial liabilities	21	26 705	20 347
Total liabilities		11 323 172	9 129 379
EQUITY			
Share capital	22	457 280	457 280
Bank reserves and other funds	22	64 931	61 083
Retained earnings (accumulated deficit)		562 646	471 701
Total equity		1 084 857	990 064
Total liabilities and equity		12 408 029	10 119 443

Approved for issue and signed

08 April 2024

Preparer

T. Ratsun (044) 224-66-73

Board Chairman  YULIA FROLOVA

Chief Accountant  NATALIA BOCHKOVSKA

Statement of profit or loss and other comprehensive income
(Statement of financial performance)
BANK ALLIANCE JSC
for the year ended 31 December 2023

<i>In thousands of hryvnias</i>	Notes	2023	2022
Interest income	24	1 447 583	953 037
Interest costs	24	(1 060 194)	(1 114 413)
Net interest income/(Net interest costs)		387 389	(161 376)
Commission income	25	430 098	326 229
Commission costs	25	(96 305)	(38 349)
Net gain/(loss) on financial instruments at fair value through profit or loss	28	280 917	888 533
Net foreign exchange gain/(loss)		74 075	154 422
Net foreign currency revaluation gain/(loss)		(832)	87 095
Net impairment loss on financial assets		(301 899)	(564 891)
Net loss/(gain) from increase/(decrease) in liability reserves		(31 885)	(14 455)
Net gain/(loss) on derecognition of financial assets at amortized cost		22 571	(156 217)
Investment property revaluation loss		(33 220)	-
Other operating income	26	22 271	21 027
Employee benefits		(270 913)	(227 572)
Depreciation and amortization		(54 703)	(54 088)
Other administrative and operating expenses	27	(304 669)	(164 837)
Profit/(loss) before tax		122 895	95 521
Income tax expense	29	(28 102)	(18 559)
Profit/(loss) from continuing operations		94 793	76 962
Profit/(loss)		94 793	76 962
OTHER COMPREHENSIVE INCOME:			
ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS			
Total comprehensive income		94 793	76 962
Profit (loss) attributable to bank owners		94 793	76 962
Total comprehensive income attributable to bank owners		94 793	76 962
Earnings/(loss) per share from continuing operations (UAH):	30	5.92	4.81
Earnings/(loss) per share attributable to bank owners (UAH)	30	5.92	4.81

Approved for issue and signed

08 April 2024

Preparer

T. Ratsun (044) 224-66-73

Board Chairman

YULIA FROLOVA

Chief Accountant

NATALIA BOCHKOVSKA



**Statement of changes in equity
(Statement of equity)
BANK ALLIANCE JSC
for the year ended 31 December 2023**

<i>In thousands of hryvnias</i>	Attributable to bank owners						Total shareholders' equity
	Share capital	share premium and other additional paid-in capital	unregistered share capital	reserve and other funds	retained earnings	total	
Balance as at the end of the year ended 31 December 2021	457 280	-	-	44 530	411 292	913 102	913 102
Total comprehensive income:	-	-	-	-	76 962	76 962	76 962
Distribution of retained earnings to reserves and other funds	-	-	-	16 553	(16 553)	-	-
Balance at the end of the year ended 31 December 2022	457 280	-	-	61 083	471 701	990 064	990 064
Total comprehensive income:	-	-	-	-	94 793	94 793	94 793
Distribution of retained earnings to reserves and other funds	-	-	-	3 848	(3 848)	-	-
Balance at the end of the year ended 31 December 2023	457 280	-	-	64 931	562 646	1 084 857	1 084 857

Approved for issue and signed

08 April 2024

Preparer

T. Ratsun (044) 224-66-73

Board Chairman

YULIA FROLOVA

Chief Accountant

NATALIJA BOCHKOVSKA



Statement of cash flows
BANK ALLIANCE JSC
for the year ended 31 December 2023
(using the direct method)

<i>In thousands of hryvnias</i>	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received	24	1 349 708	1 124 107
Interest costs paid	24	(1 040 551)	(1 121 736)
Commission income received	25	417 176	326 893
Commission expenses paid	25	(91 116)	(37 051)
Gains and losses on financial derivatives	28	20 569	100 444
Gains and losses from foreign currency transactions		74 076	154 422
Other operating income received	26	(10 622)	10 349
Employee benefits paid		(263 894)	(228 362)
Administrative and other operating expenses paid	27	(304 669)	(164 837)
Income tax paid		(73 251)	(48 878)
Cash generated from/(used in) operating activities before changes in operating assets and liabilities		77 426	115 351
<i>Changes in operating assets and liabilities</i>			
Net (increase)/decrease in trading securities	8	(1 022 553)	211 098
Net (increase)/decrease in derivative financial assets/liabilities	9	(4 686)	(6 733)
Net (increase)/decrease in cash with other banks		-	17 952
Net (increase)/decrease in Loans and advances to customers	7	633 590	(1 064 878)
Net (increase)/decrease in other assets	14	(58 637)	(131 688)
Net increase/(decrease) in placements with banks	15	(1 400 000)	(58)
Net increase/(decrease) in customer deposits	16	3 500 181	(1 832 656)
Net increase/(decrease) in other liabilities	21	221 853	245 448
Net cash generated from/(used in) operating activities		1 947 174	(2 446 164)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities	8	(181 520 000)	(28 330 000)
Redemption of securities	8	180 778 522	30 554 128
Purchase of property, plant and equipment	10	(38 696)	(14 586)
Acquisition of intangible assets	10	(2 593)	(6 667)
Purchase of investment property	11	63 301	-
Net cash generated from/(used in) investing activities		(719 466)	2 202 875
CASH FLOWS FROM FINANCING ACTIVITIES			
Other fundraising	19,20	(151 229)	25 491
Lease payments		(38 218)	(27 019)
Net cash generated from/(used in) financing activities		(189 447)	(1 528)
Effect of changes in foreign exchange rates of the National Bank of Ukraine on cash and cash equivalents		26 110	195 318
Effect of expected credit losses on cash and cash equivalents		(22 134)	(62 295)

<i>In thousands of hryvnias</i>	Notes	2023	2022
Net increase/(decrease) in cash and cash equivalents		1 042 237	(111 794)
Cash and cash equivalents at the beginning of the period	6	1 049 498	1 161 292
Cash and cash equivalents at the end of the period	6	2 091 735	1 049 498

Approved for issue and signed

08 April 2024

Preparer

T. Ratsun (044) 224-66-73

Board Chairman

Chief Accountant



YULIA FROLOVA

NATALIA BOCHKOVSKA

Note 1. Bank profile

BANK ALLIANCE JOINT STOCK COMPANY was established in accordance with the decision of the Founders' Constituent Assembly (Minutes No. 1 of March 09, 1992) and registered by the National Bank of Ukraine on March 10, 1992 under No. 89.

In accordance with the decision of the General Meeting of Shareholders (Minutes 1/2018 of April 17, 2018), BANK ALLIANCE PUBLIC JOINT-STOCK COMPANY changed the type of joint-stock company BANK ALLIANCE JSC from public to private, and accordingly the name was changed to BANK ALLIANCE JOINT-STOCK COMPANY.

Official name:

in Ukrainian: full — АКЦІОНЕРНЕ ТОВАРИСТВО «БАНК АЛІАНС» abbreviated — АТ «БАНК АЛІАНС»

in English: full — JOINT STOCK COMPANY "BANK ALLIANCE" abbreviated — JSC "BANK ALLIANCE"

Country of registration : Ukraine

Location : 50 Sichovykh Striltsiv Str., Kyiv, 04053, Ukraine

The business form is a private joint-stock company.

During the period of martial law imposed in Ukraine by the Presidential Decree No. 64/2022 *On the Introduction of Martial Law in Ukraine*, BANK ALLIANCE JOINT STOCK COMPANY carries out its activities on the basis of the Laws of Ukraine "On Banks and Banking Activities", "On Joint Stock Companies", "On Financial Services and State Regulation of Financial Services Markets", "On Accounting and Financial Reporting in Ukraine", "On Capital Markets and Organized Commodity Markets", the Civil Code of Ukraine, the Economic Code of Ukraine, other laws of Ukraine, as well as on the basis of regulatory acts of the National Bank of Ukraine and the National Securities and Stock Market Commission, other applicable legislative and regulatory acts of Ukraine.

The bank is a universal financial institution.

The bank operates in the city of Kyiv, oblasts of Zhytomyr, Zakarpattia, Zaporizhia, Lviv, Dnipropetrovsk, Kharkiv, Odesa, Chernivtsi, Mykolaiv, Poltava, Chernihiv, Cherkasy, Vinnytsia, Sumy, Kirovohrad, Khmelnytskyi, Ivano-Frankivsk, Volyn, Ternopil and Rivne; has no representative offices. The total number of branches opened by the Bank as of December 31, 2022 was 35 branches.

Due to introduction of martial law in Ukraine, in accordance with the Decree of the President of Ukraine No. 64/2022 *On the Introduction of Martial Law in Ukraine*, and in order to ensure the uninterrupted operation of JSC BANK ALLIANCE branches providing customer service under martial law, as well as taking into account the requirements of the Resolution of the Board of the National Bank of Ukraine No. 18 *On the Operation of the Banking System during the Period Of Martial Law* as of 24 February 2022, the operation of a number of the Bank's branches was suspended. The Bank informs about the current changes in the opening hours of its branches on its website <https://bankalliance.ua/articles> .

The bank does not have a specialized bank status.

BANK ALLIANCE JSC was registered by the National Bank of Ukraine on March 10, 1992, registration No. 89. The Bank has an indefinite Banking License No. 97 of November 17, 2011, issued by the National Bank of Ukraine for the right to provide banking services specified in part three of Article 47 of the Law of Ukraine *On Banks and Banking Activity*.

In accordance with the current legislation, the Bank carries out professional activities in the capital markets:

- trading in financial instruments - brokerage and sub-brokerage activities, the relevant brokerage license AE No. 294590 was issued by decision of the NSSMC No. 1582 of 25 November 2014, and by decision of the NSSMC No. 420 of 23 June 2021, with sub-brokerage activities beginning on 01 July 2021;
- dealing in financial instruments - dealing activities, the relevant license was issued by the decision of the NSSMC No. 387 of 23 July 2019;
- depository activities of the depository institution, the relevant license was issued by the decision of the NSSMC No. 387 of 23 July 2019.

All the above-mentioned NSSMC licenses are valid and indefinite.

BANK ALLIANCE JSC is a member of the Individual Deposit Guarantee Fund (Certificate No. 023 of October 18, 2012, registration No. 025 of September 02, 1999).

As of December 31, 2023, the Bank is a participant and member of the following associations and organizations:

- Independent Association of Banks of Ukraine (IABU);
- European Business Association (EBA);
- MasterCard international payment system;
- VISA international payment system;
- PROSTIR national payment system;
- Stock Exchange "PFTS";
- Stock Exchange "Perspektiva";
- Professional Association of Capital and Derivatives Market Participants (PACDMP);
- "Ukrainian Stock Traders" association (USTA);

The Bank's purpose is to satisfy public needs in banking and other financial services (except services in the insurance field), other banking activities defined by current legislation of Ukraine; attracting, accumulating, ensuring the movement and redistribution of the monetary mass, as well as generating profit from the results of banking activities.

Based on the chosen Strategy, the Bank's Vision, Mission and Goal is formulated as follows:

VISION: BANK ALLIANCE is a reliable and universal bank that has the trust of society and builds a long-term partnership, providing clients with modern solutions with an individual approach.

MISSION: Creating favorable conditions for Ukrainian economy development and stable gross domestic product growth, maintaining the optimal balance of interests of clients, shareholders and the Bank itself.

We give people confidence and reliability, we make their lives better by helping them realize their aspirations and dreams. Our mission defines meaning and content of the Bank's activities and

emphasizes its important role in the national economy and society - maintaining confidence, reliability and stability. Our clients, their needs, dreams and aspirations are the basis of our operation as an organization. At the same time, realization of the Bank's goals is impossible without realization of the personal and professional goals of the people who work in it. The Grand Idea is achieved by a team of like-minded people united by a common system of values.

OBJECTIVE: to be a reliable financial partner focused on the interests of clients and occupy strong positions in targeted client segments, to ensure the Bank's profitable operation.

As part of this mission, the Bank implements a risk management strategy based on the principle of balance between profits and the level of risk taken by the Bank. This principle allows maintaining financial stability in conditions of negative influence of external and internal factors on operation.

The Bank adheres to the principles of corporate governance for banks, the basis of which was laid by the Basel Committee on Banking Supervision.

In order to achieve its strategic goals, the Bank regularly improves its business model, adapting it to changes in the macroeconomic environment in which the Bank operates, and to the demands of clients, which grow from year to year.

Small and medium-sized enterprises and micro-businesses have been selected as the key segment of clients that the Bank will focus on. The bank directs its efforts to the formation of long-term partnerships with clients, promotion of their financial well-being and improvement of banking service.

The Bank's main activities are:

- credit and deposit operations;
- currency purchase and sale transactions;
- customer settlement and cash service;
- financial instruments trading activity;
- provision of consulting and information services, including operations on the foreign exchange market.

The Bank actively uses interbank market tools for prompt placement (attraction) of temporarily free funds, as well as for currency exchange operations.

In accordance with Article 11 of the Bank's Charter, the Bank's management structure is two-tiered. The Bank's governing bodies are the General Meeting, the Supervisory Body (the Bank's Council), and the Executive Body. The General Meeting is the supreme governing body.

The Council is the supervisory body. The Management Board is the executive body.

The General Meeting of Shareholders is the Bank's supreme governing body. The Bank's Supervisory Board is a body that protects the rights of depositors, other creditors and shareholders of the Bank, and within the scope of competence defined by the Statute and current legislation. The Bank's Management Board is a permanent collegial executive body of the Bank, which manages the Bank's day-to-day activities, resolves issues within the scope of competence defined by the current legislation of Ukraine, the Statute and the Regulations on the Management Board, and is responsible for the Bank's performance in accordance with the principles and procedures defined by the Bank's Statute, decisions of the General Meeting and the Supervisory Board of the Bank.

As at 31 December 2023, the Bank's registered and fully paid share capital amounted to UAH 457 280 thousand and consisted of 16 000 000 ordinary registered shares with a face value of UAH 28,58 each. The issuance of shares with a par value of UAH 28,58 per share was based on the authorization given to the Bank by the NSSMC on June 03, 2021, under No. 27/1/2021.

The upof Charter of BANK ALLIANCE JOINT STOCK COMPANY was approved by the Extraordinary General Meeting of Shareholders of BANK ALLIANCE JOINT STOCK COMPANY (Minutes No. 4/2023 of November 10, 2023, drawn up on November 17, 2023 and registered on December 29, 2023 by the State Registrar).

The share capital amount as at December 31, 2023 corresponds to the constituent documents (the Charter). As at December 31, 2023, the shareholders' equity amounted to UAH 1 084 857 thousand. As at December 31, 2023, the shareholders' equity amount complies with the legal requirements.

The following resolutions were adopted by the Extraordinary General Meeting of Shareholders of BANK ALLIANCE JOINT STOCK COMPANY (Minutes No. 5/2023 of December 21, 2023 (drawn up on December 26, 2023):

"1.1.To increase the share capital of JOINT STOCK COMPANY BANK ALLIANCE from UAH 457 280 000,00 (four hundred fifty-seven million two hundred eighty thousand hryvnias 00 kopecks) to UAH 691 636 000,00 (six hundred ninety-one million six hundred thirty-six thousand hryvnias 00 kopecks) by UAH 234 356 000,00 (two hundred and thirty-four million three hundred and fifty-six thousand hryvnias 00 kopecks) by placing 8 200 000 (eight million two hundred thousand) ordinary registered shares with a par value of UAH 28,58 through additional contributions."

The procedure for increasing the Bank's share capital was ongoing as at the reporting date, no increase in share capital occurred in the reporting period.

The Bank's substantial shareholder is Mr. Oleksandr Sosis, a citizen of Ukraine, who holds 89,289006% of the Bank's share capital. The Bank's management owns a share of 639 190 ordinary registered shares, or 3,9949% of the Bank's share capital.

At the meeting of the Rating Committee held on 27 July 2023, the National Rating Agency "Rurik" confirmed the long-term credit rating of BANK ALLIANCE JSC at uaAAA investment grade with an "evolving" outlook. The Bank's rating is determined according to the National rating scale.

On October 23, 2023, S&P Global Ratings upgraded the long-term international foreign currency credit rating of BANK ALLIANCE JSC to "CCC+", with a "stable" outlook.

At the time of issuance of the statements, the Bank did not prepare financial statements in the 2023 iXBRL format, with a view to preparing and submitting financial statements in iXBRL format in accordance with the NBU requirements.

Note 2. Bank economic environment

In 2022, the global economy experienced a slowdown amid the highest inflation rate in decades. The cost of living crisis, deteriorating financial conditions in most oblasts, and Russia's invasion of Ukraine had a significant negative impact on development prospects. The global economy recovered slowly in 2023, with growing disparities between oblasts. The global economic growth slowed from 3,5% in 2022 to 3,0% in 2023 and is forecast to decline to 2,9%. The risks that

affected the global economy in 2023 remain relevant for 2024, including geopolitical instability, high interest rates, and a significant level of uncertainty in general. In addition, there are other, as yet unknown, factors that could manifest themselves in 2024 and have global consequences. Based on the currently available facts and preconditions, analysts expect the global economy to grow in the range of 2,1-2,9% in 2024.

Differences in growth prospects between oblasts of the world pose difficulties for a return to pre-pandemic trends in output. Despite signs of resilience earlier in 2023, the effects of policy tightening to reduce inflation are expected to cool economic activity further.

In addition to geopolitics, monetary policy of central banks will continue to have the most important impact on the global economy. The average global inflation rate reached its highest level in the last two decades, falling to 7,5% in 2022 and 5,2% in 2023. At the end of 2023, global interest rates remained high. The US Federal Reserve maintained its key interest rate at 5,25-5,5%, and the ECB kept its base rate for loans at 4,5% and for deposits at 4%. On the other hand, the ongoing fight against inflation by Western central banks should bear fruit. According to IMF estimates, in 2024 the world will see global inflation slow to 5,8% from 6,9% in 2023. The Fed and the ECB want to reduce inflation to 2%. However, the experience of high inflation over the past two years may give rise to persistently high inflation expectations, making it difficult for central banks to bring inflation back to their targets. The key factors in maintaining inflation will be the development of the labor market and the dynamics of the wage-profit ratio. However, inflation may remain high and even rise if new shocks arise, including those related to the intensification of oblastal wars, including in Ukraine, the emergence and spread of new epidemic diseases or extreme weather events, leading to tighter monetary policy.

The last two years have been challenging for Ukraine's economy, which, in turn, suffered the largest losses, damages and losses in the history of its independence, caused by Russia, which on February 24 expanded the military conflict that began in 2014 along the entire length of the common border and from the territory of Belarus and the occupied Crimea. However, the country's persistent defense on the battlefield, the coordinated work of the government and business, the indomitable spirit of the population, the speed of restoration of destroyed/damaged critical infrastructure by domestic services, as well as systematic financial support from international partners allowed us to hold the economic front. Ukraine's GDP declined by 29,2% in 2022, but in 2023 (according to the National Bank), GDP growth will be 4,9%. Thus, despite the ongoing full-scale war and Russia's continuous terrorist attacks, the Ukrainian economy is recovering, and the financial system is fully operational and preparing to take an active part in the country's reconstruction. In the medium term, the economy is expected to grow by 3,2% in 2024 and by 6,5% in 2025 (according to the World Bank). Ukraine's economy is adapting and recovering at a faster pace than previously forecast. It continues to operate and overcome the challenges of the war. Businesses and households are supported by the government's measures to stabilize the energy sector and solve logistical problems. Economic growth is being boosted by the implementation of recovery and support programs for businesses that facilitate access to financial resources, such as the Affordable Loans 5-7-9% and eRobota programs. It also helps to finance the restoration of destroyed infrastructure, residential and social facilities. At the same time, military aggression continues to create new shocks and challenges for the Ukrainian people.

Inflation in 2022 was 26,6%. The acceleration of inflation in 2022 was primarily due to the consequences of Russia's full-scale military aggression. These included the destruction of businesses and infrastructure, disruption of production and supply chains, higher business

production costs, and a situational rush for certain goods and services. Indirect effects of the war, such as exchange rate effects and deterioration of household and business expectations over the year, also had an impact. In addition, prices in Ukraine were pressured by the global acceleration of inflation. The headline inflation rate for 2023 is 5,1%, while the core inflation rate is 4,9%. In particular, the NBU's set of measures to support the stability of the foreign exchange market helped to reduce underlying inflationary pressures. This limited the growth in prices for a wide range of imported goods and helped improve inflation and exchange rate expectations. Fixed tariffs for certain housing and utility services restrained the growth of administrative prices. Good harvests and a corresponding increase in food supply contributed to a significant decline in food inflation. These factors outweighed the effects of increased price pressure from business production costs due to higher electricity prices and higher wages.

At the beginning of the Russian invasion, the National Bank of Ukraine departed from the traditional principles of inflation targeting and introduced a fixed exchange rate regime. The fixed exchange rate was an important anchor for the expectations of all economic agents and served as a safeguard against panic. The NBU's return to an active interest rate policy in mid-2022 and the increase in the key policy rate to 25%, along with the further expansion of the range of instruments to support household savings, further helped to stabilize expectations and contain inflation. The slowdown in inflation and the NBU's ability to ensure exchange rate stability made it possible to launch a cycle of rate cuts starting in late July 2023, while maintaining sufficient attractiveness of hryvnia savings (key policy rate from 15 December 2023: 15%). However, the risks to inflation and deteriorating expectations remain significant, in particular due to possible escalation at the frontline, as well as terrorist attacks by Russia and the resulting electricity shortages. The exchange rate fixing regime and the introduction of strict restrictions on the exchange rate was a temporary solution, primarily because of the risks of accumulating structural imbalances. In addition, maintaining strict currency restrictions can significantly hinder economic recovery. Therefore, in 2023, the NBU chose a strategy of easing currency restrictions, moving to a flexible exchange rate, and returning to inflation targeting. The NBU's timely measures and strong support from partners helped stabilize the foreign exchange market, restore confidence in the hryvnia, ensure a disinflationary trend, and increase international reserves to a record level. Exporters' adaptation to alternative routes also helped stabilize the supply of foreign currency.

The NBU's policy priorities remain unchanged: ensuring price and financial stability and supporting economic recovery. The banking system was able to repay refinancing loans received at the beginning of the invasion ahead of schedule and become an active participant in the transmission mechanism, while accumulating significant profits.

War is primarily about high-quality weapons, ammunition, fortifications and money. Money is a tool for rebuilding destroyed buildings, purchasing humanitarian aid and supporting our country's economy. It would have been extremely difficult to defeat the enemy on our own, so other countries came to our aid almost immediately. The official financing allows the NBU not only to compensate for the significant shortage of foreign currency in the market, but also to maintain international reserves at a high level. In 2023, Ukraine's international reserves grew by 42% to exceed USD 40,5 billion. THE NBU'S INTERNATIONAL RESERVES GREW BY 42% AND EXCEEDED USD 40,5 BILLION. At the same time, budgetary needs remain high in a time of war. Own revenues and domestic borrowings are not enough to cover budget expenditures, so international assistance will continue to be the main guarantee of non-issue financing of the budget. With this in mind, it is crucial that the IMF program terms are met in a timely manner and in full.

Since the beginning of the Russian invasion, Ukraine has suffered widespread destruction. The consequences of the invasion will be felt for generations to come, as families have been separated and displaced, human development has been disrupted, cultural heritage has been destroyed, and the positive trajectory of economic development and poverty has been reversed. The war has had a dramatic impact on employment across the country. A significant number of people have lost their income, and many have lost their purchasing power due to inflation. Many have been forced to relocate. Since the beginning of 2023, the labor market has been gradually recovering, but this process is still fragile. Unemployment remains high and is becoming structural. The financial situation of households is difficult. The main economic challenges facing the Ukrainian government are maintaining macroeconomic stability and collecting taxes to continue paying for essential services.

It is worth noting the resilience of Ukraine's banking system: liquidity has generally remained high since the start of the full-scale war, and has even broken records in some indicators. In addition to maintaining depositors' confidence in banks, this is facilitated by regular and significant inflows of government payments to household bank accounts. However, the inflow of new funds to the sector is uneven, with the bulk of the funds being deposited on current accounts with state-owned banks. Following a decline in the share of household time deposits in banks in 2022, the funding structure is gradually improving this year. Hryvnia deposit rates allow individuals to protect their funds from depreciation. Net of taxes, they average about 12% and exceed expected inflation. All of this is working. People have started to trust the hryvnia again. In January-November 2023, the volume of hryvnia time deposits increased by 32,3%, and their share in the total portfolio increased by 4,6 percentage points to 35%. Therefore, the Bank should also make efforts to improve the term structure of funding and attract retail deposits. The high discount rate also encourages banks to raise interest rates on hryvnia deposits. In addition, in 2022-2023, the NBU raised provisioning ratios for current accounts to give banks more incentives to extend their maturities.

Ensuring the continuity of payments and the operation of the branch network helped to maintain confidence in banks. Despite the full-scale war and missile terror, the NBU's electronic payment system reliably and smoothly performs its functions and fully meets the needs of the Ukrainian banking system and its clients for payments in the national currency. The number of payments is growing. Banks have developed and implemented measures to counteract the effects of blackouts. Branches have been identified that will operate even in the event of prolonged power and communication outages.

In 2022 and the first half of 2023, the net hryvnia corporate loan portfolio of banks slowly declined. The main reason for the decline was the formation of loan provisions, as well as the repayment of previously issued loans, which was not offset by new disbursements. Credit risk posed the greatest threat to the financial stability of banks. Retail loans in arrears and loans to companies that have suffered significant losses of production assets and sales markets are at the highest risk. However, in the second half of the reporting year, the loan portfolio started to grow and increased by 2,5% in August-November 2023. The pessimistic scenario of 30% credit losses assumed by the NBU in the event of prolonged negative effects of the electricity shortage did not materialize, so the loan portfolio losses by banks due to the war will be closer to 20%. In order to determine the real state of the banking sector, the NBU returned in 2023 to assessing the resilience of banks and the banking system. The NBU's resilience assessment will be carried out in three stages: assessing the quality of the bank's assets (loans to legal entities and individuals), extrapolating the results to all lending operations of the bank (if necessary), and assessing the bank's performance under the

baseline scenario with the determination of the required levels of capital adequacy ratios. The preliminary results of this year's bank resilience assessment are optimistic: only a few institutions may face moderate capital needs. The available capital reserves of most banks will be sufficient to comfortably meet the new regulatory requirements, despite the expected introduction of an additional tax on bank profits. To ensure further harmonious development, banks will need to incorporate the results of their resilience assessments and plans for implementing regulatory requirements into their business strategies and update them as necessary.

Despite the challenging economic environment, the banking sector remains operationally profitable, providing financial institutions with a first line of defense to absorb credit losses. Interest income increased significantly due to the growth of interest-bearing assets and higher rates on investment instruments. Interest expense grew at a higher rate than income (average monthly interest income in the current year is 38,4% higher than in the previous year, and interest expense is 56% higher). In the second half of 2022, after a sharp dip in the spring months, fee and commission income increased due to stable demand for banking services and a gradual recovery in tariffs. During the reporting year, fee and commission income remained at the level of the average monthly volumes of the second half of 2022 (about UAH 8 million). However, the average monthly results from revaluation and sale and purchase transactions in the reporting year amounted to only 72,2% of the average monthly income in 2022. In 2022, most banks managed to optimize administrative expenses. Given that significant credit losses occurred mainly in 2022, and accordingly, the corresponding provisions were made to cover them at the same time (the amount of expenses for the formation of provisions for active bank operations for the 11 months of the reporting year amounted to only 7,7% of the corresponding expenses in 2022), the banking sector of the economy made a significant profit, and profitability grew in 2023:

- the banking sector's return on equity increased from 9,68% (as of January 1, 2023) to 52,8% (as at December 1, 2023);
- return on assets of the banking sector increased from 1,04% (as of January 1, 2023) to 5,6% (as at December 1, 2023).

Most banks have capital reserves in excess of the minimum requirements, and financial institutions with viable business models and the ability to generate operating income will have enough time to restore capital if necessary.

Taking into account the Bank's performance in 2023 and the structure of available capital, the Bank plans to increase its share capital over the next year by early repayment of subordinated debt to allocate funds to increase the authorized capital, as well as by increasing the share capital through profit.

Based on the Bank's development strategy for 2023-2025, the key customer segment targeted by the Bank is microbusiness and small and medium-sized enterprises. The choice of this segment of the Bank is aimed at limiting excessive dependence on large clients, which will help reduce the risk of concentrations. The Bank should compete for target corporate clients by providing unique structured products and services. The Bank's overall strategy envisages the formation of high-quality loan and fee-based portfolios, prudent lending policy and development of service products to attract non-credit clients for fee-based services. In the lending policy, priorities will be given to projects aimed at strengthening the country's defense capabilities, effective import substitution and/or export-oriented products. For the period of martial law and post-war economic recovery, the Bank's priorities are:

- The agricultural sector of the economy is the country's food supply;
- Critical infrastructure enterprises (facilities);
- The industries that ensure food security are the food industry, food retail, etc;
- Infrastructure projects aimed at restoring/developing social, transport and critical infrastructure facilities;
- Transport and logistics infrastructure;
- The location of enterprises located in the oblasts of Ukraine/places of active hostilities during martial law;
- Import substitution of products imported from Russia and/or Belarus.

The Bank plans to achieve strategic prospects for the development of its customer base, among other things, by developing and improving the following key services:

- Improvement and automation of customer service for clients engaged in foreign economic activity, including, but not limited to, remote opening of current accounts, setting limits for confirmation of documentary transactions, including those from export credit agencies, implementation of services for online tracking of foreign economic payments, etc;
- Improving the customer service process for balances and deposits in terms of improving the product range and digitalization of processes (online service, etc.);
- review and automation of internal processes affecting the service component, including, but not limited to, the use of PTCs at the Bank's branches and outside them to provide various payment services, integration of the Diia application into the Bank's services, etc;
- raising the professional level of branch employees through the development and implementation of training programs;
- implementing a CRM system to systematize customer engagement and build quality relationships with existing clients.

Promising areas for identifying added value for clients have been identified:

- structured products and services, including documentary operations, for participants in exchange trading in natural gas and electricity;
- Integration of payment and banking services with the Ukraine-foreign payment systems;
- in symbiosis with natural gas and electricity suppliers, credit products to end users, corporate clients and individual households;
- Integration into crowd funding platforms for SME and micro-business clients to facilitate access to funding sources;
- management of pension fund assets with favorable development of pension reform;
- organizing bond placements for the Bank's corporate clients.

International financial organizations are a separate segment of clients, with whom the Bank plans to develop cooperation in a number of projects to finance both individual sectors (in particular, agriculture) and the Ukrainian economy as a whole. Thus, the key projects include the Joint Projects of Ukraine and the European Investment Bank "Main Loan for SMEs and Mid-Cap Companies" and "Main Loan for the Agricultural Sector-Ukraine". In addition, the Bank signed agreements with the IFC (International Finance Corporation) to open a long-term credit line (of USD 5 million and EUR 5 million) and a trade finance line (of USD 10 million). The Bank continues to actively implement products based on the results of its participation in another IFC Project "Agricultural Receipts in Ukraine" to improve access to financial resources for small and medium-sized agricultural producers by launching a financial instrument "agricultural receipts" in Ukraine.

In accordance with the levels of the Bank's tolerance to credit risk within which the Bank operates, it is planned to reduce the level of concentration by economic sectors both in relation to the total portfolio and to the Bank's regulatory capital, since the regulatory capital is one of the most important performance indicators, the main purpose of which is to cover the negative consequences

of various risks and ensure the protection of deposits, financial stability and stable operation of the institution. In particular, the concentration risk will be mitigated directly by increasing the Bank's regulatory capital (through profit, early repayment of subordinated debt in order to increase the share capital).

Whilst management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, a further unstable business environment could negatively affect the Bank's results and financial position in a manner not currently determinable.

Note 3. Basis of presentation of financial statements

The Bank's financial statements for 2023 are prepared in accordance with International Financial Reporting Standards (IFRS).

The Annual Financial Report for 2023 is presented in accordance with the requirements of the "*Instruction on the Procedure for Preparation and Disclosure of Financial Statements of Ukrainian Banks*" approved by the Resolution of the Board of the National Bank of Ukraine No. 373 of 24 October 2011, and taking into account the "*Methodological Recommendations on the Procedure for Preparation of Notes to the Financial Statements of Ukrainian Banks*" approved by the Resolution of the Board of the National Bank of Ukraine No. 274-rsh of 09 April 2019.

The functional currency in which the Bank maintains its accounting records and prepares its financial statements is the Ukrainian hryvnia. The unit of measurement in which the financial statements are presented is Ukrainian hryvnia ("UAH").

Going concern

As a result of the military aggression of the Russian Federation against Ukraine and the introduction of martial law in Ukraine on February 24, 2022, there were significant changes in the operating environment in which the Bank operates, including negative changes that the banking sector of Ukraine faced in 2023, in particular:

- security risks are a key systemic risk for the economy and financial sector due to a full-scale war and related threats;
- for the first time in history, Ukraine's power grid suffered a systemic failure - a blackout;
- deterioration of macroeconomic indicators, in particular, a drop in GDP and an increase in inflation, which had a negative impact on the level of administrative and business expenses (growth), but with the gradual recovery of the economy and business activity, which gradually got used to working in the new environment, the Bank's interest and commission income increased (at the same time, interest and commission expenses increased less);
- restrictions on the operation, and then the shutdown of the grain corridor due to Russian actions, as well as the continuing risks to the operation of Black Sea ports, constrained exports;
- logistical problems on alternative export routes, including road transportation;
- increase in the bank profit tax rate from 18% to 50% in 2023.

The positive changes in 2023 include:

- GDP growth significantly exceeded expectations, and inflation slowed sharply. The key policy rate has been declining since the middle of the year, but its current level ensures that hryvnia savings instruments remain sufficiently attractive given the improvement in inflation

expectations. The key event of the second half of the year was the transition to a regime of managed exchange rate flexibility;

- the inflow of Customer deposits to banks continues. The Bank practically does not rely on other sources of funding. Regular inflows of funds maintain the Bank's liquidity position;
- growth in consumer lending in terms of retail unsecured consumer loans and POS loans;
- the average level of debtors' defaults is declining in both corporate and retail segments, the peak of credit losses from the full-scale war has passed, and provisions made in 2022-2023 cover expected credit losses;
- a significant decrease in the NBU discount rate affected the yield on the Bank's interest-bearing assets.

In order to offset the negative effects on the Bank's operations caused by the impact of the military aggression of the Russian Federation, to ensure the continuity of the Bank's operations under martial law and the active phase of hostilities, to maintain the profitability of the financial institution and opportunities for further development in 2023, the Bank's management developed and implemented a number of measures to achieve positive effects in the Bank's operations, ensuring the achievement of the following qualitative indicators at the end of 2023:

- Reduction of the debt to the National Bank of Ukraine on the refinancing loan to support the liquidity of banks: as at January 1, 2024, the debt on the refinancing loan to support the liquidity of banks amounted to UAH 700 million; as at March 1, 2024, it was fully repaid.
- Increase in net interest income: the Bank's interest income for 2023 amounted to UAH 1 447 million, interest costs for 2023: UAH 1 060 million (net interest income for 2023: UAH 387 million).
- In 2023, the volume of customer deposits increased significantly by UAH 3 391,8 million (+54,2%) to UAH 9 646 million, or 77,7% of liabilities.
- Increased efficiency of the Bank's documentary business. Documentary business is one of the main activities of the Bank - the Bank ranks 5th in the Ukrainian banking market both in terms of the portfolio of guarantees issued by the Bank and in terms of revenue. The Bank received net income from documentary operations in 2023 of UAH 222 million. In 2023, the Bank issued 6 090 guarantees for a total amount of UAH 5 184 582 312,15. The average guarantee amount is UAH 85 132,71. Accordingly, the portfolio of guarantees has a high level of diversification, with the average term of guarantees issued being 64 days.
- Increase in return on assets (ROA) and return on equity (ROE) and as at January 1, 2023, the values were 0,71% and 8,09%, respectively (as at January 1, 2024: 0,84% and 9,14%, respectively). The interest margin as of January 01, 2024 is 3,3%.
- Continued active work with non-performing assets. The share of the Bank's non-performing loans (NPL) as at 01 January 2024 amounted to 7,73% (in the banking system of Ukraine as a whole, the share of non-performing loans amounted to 37,4% as at 01 January 2024).
- A prudent/conservative policy on provisioning and credit risk was implemented, so as at January 01, 2023, the amount of provisioning and credit risk formed by the bank amounted to UAH 1 373 million and UAH 1 758 million, respectively.
- The Bank's shareholders demonstrate significant support for the Bank, including through the Bank's recapitalization by early repayment of subordinated debt by allocating it to the Bank's authorized capital, as well as by converting profits into authorized capital in accordance with the Bank's Strategy for 2024-2026, approved by the decision of the Bank's Supervisory Board of 28 December 2022 (Minutes No. 50).

- The Bank ensured compliance with the economic/prudential standards established by the NBU Board Resolution No. 368 of August 28, 2001 "*On Approval of the Instruction on the Procedure for Regulating the Activities of Banks in Ukraine*" (as amended). The Bank did not violate economic/prudential standards.
- The Bank's profitable operations were ensured, with a profit of UAH 94 million in 2023.

To analyze the Bank's ability to continue its operations under martial law, the Bank's management has prepared a financial forecast for the next year following the reporting year, which shows that the Bank is able to operate on a continuous basis and conduct profitable activities. The planned performance indicators are reflected in the detailed (monthly) Budget of the Bank for 2024 and the Bank's Strategy for 2024-2026, approved by the decision of the Supervisory Board of the Bank of 28 December 2022 (Minutes No. 50).

The forecast was made using the principle of reasonable care based on assumptions and measures taken or planned to be taken by the Bank's management:

- partial growth of customer deposits mainly at the expense of legal entities. Currently, the situation with the resource base is stable, with a positive outlook.
- The Bank has planned the next stage of capitalization, namely, the increase of the Bank's share capital through profit of previous years, as well as the allocation of funds received from the early repayment of subordinated debt in the amount of UAH 216,5 million to the Bank's capital, which is certainly evidence of support from the Bank's Shareholders (additional capitalization measures are planned for the first half of 2024);
- The Bank continues to cooperate with international financial organizations - for example, since the beginning of the war, the Bank has attracted an additional EUR 2 million from the European Investment Bank; in addition, the Bank has opened a credit line from the International Finance Corporation (EUR 5 million and USD 5 million), Under the agreement signed with the IFC in July 2023, cooperation was launched on the issuance of documentary instruments in terms of trade finance for the Bank's clients - business entities of Ukraine with risk coverage by the International Finance Corporation;
- The Bank is working to improve its corporate governance system in order to comply with the best international practices. Thus, within the framework of the expanded cooperation with IFC (ESG Program - Integrated Environmental, Social and Governance Practices Program to Promote Investment in Europe and Central Asia), projects aimed at gaining modern experience and implementing the most advanced/up-to-date global practices in the organization of corporate governance of the Bank have been launched;
- Due to the military aggression of the Russian Federation, the Bank has tightened its lending policy in terms of oblastal and sectoral risks, borrower profile, which will result in lower lending rates than in previous years.
- In general, taking into account the further gradual economic recovery from the initial shock of the war, partial business recovery, cash injections from Western partners and the Bank's gradual expansion of its own branch network and range of services, the Bank plans to increase interest income by 1,7% and commission income by 24,3% in 2024 compared to the reporting year, while the net financial result is expected to grow by 24,2%.

Since the Bank operates in a situation where the most severe stress scenario caused by the war factor is realized, stress testing of the Bank's credit risk was not carried out in accordance with the fact that the risk was realized, the Bank's expenses for provisioning for 2022-2023 amounted to UAH 913 million (2022: UAH 579 million, 2023: UAH 334 million). The total impact on the Bank's

capital and compliance with economic standards under the realized scenario is as at 01 January 2024: N2 – 14,2%, with a regulatory value of not less than 10%, N3 – 7,1%, with a regulatory value of not less than 7%, N7 – 23,1%, with a regulatory value of not more than 25%.

With the increase of the Bank's share capital through profit of previous years and funds from early repayment of subordinated debt in the amount of UAH 216,5 million, the capital ratios are forecast to increase by the end of 2024: H2 – 13,2%, with the regulatory value of at least 10%, H3 – 9,7%, with the regulatory value of at least 7%, H7 – 22,3%, with the regulatory value of not more than 25%.

It should be noted that the increase in the level of credit risk is caused by the consequences of military aggression and its impact on the overall level of the Ukrainian economy. The mitigation of the negative impact of credit risk stress testing is taken into account in the upof financial forecast for 2024, the results of which indicate that the Bank's capital is sufficient to cover additional significant risks, namely

- more than twofold increase in the Bank's authorized capital, which will help strengthen the Bank's financial stability, both through the use of funds raised on the terms of subordinated debt and as a result of the allocation of the profit of the reporting and previous years to the Bank's capital;
- conservative lending policy of the Bank, which, on the one hand, reduces the pace of lending and, on the other hand, contributes to the improvement of the quality of the Bank's loan and investment portfolio;
- Planned increase in the share of highly liquid funds (cash on hand and correspondent accounts with other banks, including the National Bank of Ukraine), which will help cover the potential liquidity shortage in case of a decrease in proceeds from repayment of loan indebtedness by clients;
- The loan portfolio provision allowed the Bank to accumulate a safety margin in advance and, accordingly, absorb the negative consequences of credit risk realization without a significant impact on the Bank's capital in the future.
- repayment of Ukrainian government bonds maturing in 2024 in the amount of UAH 1 230 million ensures a sufficient liquidity reserve of the Bank.

Compliance with capital ratios: as at the end of 2023, the Bank complied with both the minimum regulatory capital requirements (the actual amount in the calculation according to the NBU requirements amounted to UAH 855 million) and the Bank's capital adequacy ratios H2 (14,2%) and core capital adequacy H3 (7,1%). Nevertheless, in order to strengthen its financial stability, the Bank plans to increase its authorized capital and, accordingly, its shareholders' equity in the near future, as described above.

Compliance with other economic ratios established by the National Bank of Ukraine: as at 01 January 2024, the Bank complies with the economic/prudential ratios established by the NBU Board Resolution No. 368 of 28 August 2001 "*On Approval of the Instruction on the Procedure for Regulating the Activities of Banks in Ukraine*" (as amended), including liquidity and credit risk.

As of the end of 2023, 35 branches were operating, including 4 branches opened in 2022 with a focus on Western Ukraine (Luts'k, Ivano-Frankivsk, Ternopil, Rivne); 2 branches were opened in the cities of Uman and Ternopil in 2023. In 2024, 6 more new branches are planned to be opened, namely in the cities of Kolomyia, Kamianets-Podilskyi, Brovary, Mukachevo, Bila Tserkva, and Lviv.

As part of the NBU's Power Banking project (POWER BANKING is a unified network of Ukrainian bank branches created at the initiative of the NBU, which will operate and provide the necessary services to clients even during the blackout), the Bank ensured the operation of 24 standby branches - installed backup power supplies and Internet access to provide clients with a full range of banking services.

In addition, the Bank implemented a number of projects in the field of information technology as part of the process of ensuring the continuity of operations, such as the launch of the DWH analytical data warehouse, launch of additional backup communication channels with the NBU (the NBU's backup site in Lviv - channels from the Kyiv and Lviv data centers), introduction of backup satellite communication channels, implementation of the NBU's CEP4 project.

The above conditions and circumstances certainly had a negative impact on both individual performance indicators and the level of fulfillment of the Bank's performance indicators planned by the Budget and Strategy as a whole for 2023. These factors were expected and, accordingly, the Bank's Management made every effort to mitigate their negative impact on the Bank's financial position as soon as possible, in particular, in 2023, the Bank repaid a significant part of the refinancing loan from the National Bank of Ukraine, which is the most expensive component of the Bank's resource base.

In addition, it is worth noting the stabilization of a number of risks, as well as the improvement of the macroeconomic environment in general and some adaptation of business to work under martial law in the reporting year. Ukraine's international currency reserves and international assistance, together with significant foreign currency liquidity of banks, create the basis for a possible easing of certain currency restrictions in the future. As security risks decline, Ukraine will return to economic growth in 2024-2025. Despite the ongoing war, inflation slowed in 2023 and will remain manageable thanks to measures taken by the NBU and the government, as well as support from international partners. Clients have maintained confidence in the banking system, liquidity inflows are still maintained, and growth in term deposits has resumed.

The Bank's management, taking into account the expected liquidity ratios, expected profitable activities, planned increase in share capital through profit of previous years and subordinated debt, compliance with the NBU regulations, believes that there is a reasonable basis to prepare these financial statements on a going concern basis. The Bank has been operating under martial law for almost two years, ensuring full technological continuity of all key business processes and operations in general, including full energy independence and uninterrupted communication of the Head Office and most branches of the Bank through connection to Starlink generators and equipment, and has already reflected the negative result of the main types of risks caused by the martial law in the country, in particular, credit, liquidity, interest rate and operational risks. As management's estimates and forecasts were based on assumptions and events that were unprecedented in the past, both for the Bank and the country as a whole, and given the uncertainty of the future development of the military invasion and the timing of the end of hostilities, there is a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern.

Taking into account the ongoing and planned measures to strengthen the Bank's financial stability, the availability of a wide range of instruments used to mitigate the negative impact of risks inherent in the martial law environment and to ensure the Bank's continuity, the forecast values of the Bank's key performance indicators, in particular, capital adequacy and liquidity ratios,

Management concluded that, despite the above factors that may cause a significant uncertainty regarding the Bank's ability to continue as going concern.

Note 4. Principles of accounting policy.

In accordance with the requirements of the law and the Bank's internal documents on accounting and financial reporting, the Bank's management system, its organizational structure, the Bank independently determines specific accounting methods and accounting procedures that constitute its accounting policy.

The accounting policies applied in the preparation of these financial statements are set out below.

Note 4.1. Consolidation of financial statements.

BANK ALLIANCE JSC is not a member of banking groups and did not prepare consolidated financial statements in 2022.

The Bank has no subsidiaries and associates.

Note 4.2. Basis of measurement in financial reporting

Financial assets and/or financial liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are recognized by the Bank using settlement date accounting. The Bank's assets and liabilities are measured and recorded with an appropriate degree of caution to avoid the possibility of carrying forward existing financial risks to future reporting periods. An asset is recognized when it is probable that future economic benefits will flow to the Bank and the asset's cost or value can be measured reliably. A liability is a present obligation of the Bank arising from past events, which is expected to result in an outflow of resources.

Note 4.3. Financial instruments.

4.3.1. Classification of financial instruments by category. Description and assessment of business models used to manage financial assets and characterization of contractual cash flows (SPPI test)

Financial assets.

Under IFRS 9, financial assets are classified into one of three measurement categories:

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

Upon initial recognition, financial assets are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Where, at the date of initial recognition, the fair value of a financial asset differs from its transaction price (excluding transaction costs), the Bank recognizes the difference as follows:

- on transactions with shareholders: in equity;
- on other transactions: in profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Bank commits to purchase the asset.

Classification and measurement of financial assets reflects the business model for managing financial assets and their cash flow characteristics. Depending on the chosen business model and characteristics of contractual cash flows (based on the results of the SPPI test performed in accordance with IFRS 9 "Financial Instruments"), the Bank's financial assets may be classified into groups.

A financial asset is measured at amortized cost if the following conditions are met simultaneously:

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

A financial asset is classified as at fair value through other comprehensive income if it is held within a business model whose objective is to collect the contractual cash flows and to sell the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank may make an irrevocable election to recognize subsequent changes in the fair value of the instrument in other comprehensive income. This election is made on an investment-by-investment basis and primarily relates to strategic investments that are not investments in subsidiaries.

All other financial assets, i.e. financial assets that do not meet the criteria for classification at amortized cost or at fair value through other comprehensive income, are designated for subsequent measurement at fair value through profit or loss. In addition, the Bank may irrevocably designate a financial asset as at fair value through profit or loss upon initial recognition if that designation eliminates or significantly reduces a measurement or presentation inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases (otherwise).

Financial liabilities.

After initial recognition, the Bank measures and accounts for all financial liabilities at amortized cost, except for the following:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise if the transfer of a financial asset does not meet the conditions for derecognition or the continuing involvement principle is applied;
- financial guarantee, aval, and surety agreements;
- lending Liabilities at below-market rates;
- contingent consideration recognized by the acquirer in a business combination to which International Financial Reporting Standard 3 Business Combinations applies. Such contingent consideration is subsequently measured at fair value with remeasurement recognized through profit or loss.

To calculate the effective interest rate, the Bank determines cash flows taking into account all terms of the financial instrument, including all fees and other amounts that are an integral part of the income (expense) of the financial instrument. The Bank uses the cash flows stipulated in the

relevant contract for the duration of the contract if it is impossible to reliably estimate the cash flows or the expected life of the financial instrument.

4.3.2. Initial recognition of financial instruments.

Upon initial recognition, all financial assets, other than financial receivables and receivables from the Bank's business operations, are measured at fair value, except for financial instruments at fair value through profit or loss. The best evidence of the fair value of a financial asset at initial recognition is normally the transaction price, i.e. the fair value of the consideration given.

If the nominal interest rate on a financial asset does not reflect the market interest rate (for example, the contractual rate is 5 percent while the market rate for similar loans is 8 percent) and the Bank receives an initial payment (fees, compensation, etc.) as compensation, the financial asset is recognized at its fair value, i.e., net of the payment received.

The fair value of financial assets classified at amortized cost should take into account transaction costs (other payments directly attributable to the creation/recognition of a financial instrument) that are recorded in unamortized discount/premium accounts.

The cost of financial assets at fair value through profit or loss does not include transaction costs. Transaction costs on acquisition of such financial assets are recognized in profit or loss.

At initial recognition, all financial liabilities, other than financial payables and trade payables, are measured at fair value, increased or decreased, in the case of a financial liability not at fair value through profit or loss, by transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Finance payables and trade payables are treated as trade payables. As these payables do not contain a significant financing component, they are recognized initially at transaction value.

LORO accounts and demand deposits (including current accounts) are measured at cost.

4.3.3. Day one profit or loss

At initial recognition of a financial instrument, the Bank recognizes a gain or loss on the difference between the fair value of the financial asset or financial liability and the contractual amount in the discount/premium accounts if the effective interest rate on the instrument is higher or lower than the market rate. The difference between the fair value of a financial asset or financial liability and the contractual amount in transactions with the bank's shareholders is recognized in equity in accounts of class 5 "Bank's equity" of the Chart of Accounts and included in retained earnings (loss) on a straight-line basis over the period of its holding or in the total amount upon disposal of the financial instrument. If the interest rate of a financial asset or financial liability differs from market rates, the Bank recognizes a day one gain or loss.

4.3.4. Subsequent recognition of financial instruments.

Depending on the chosen business model and characteristics of contractual cash flows (based on the results of the SPPI test performed in accordance with IFRS 9 "Financial Instruments"), the Bank's financial assets can be classified into the following groups:

- measured at amortized cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss.

The Bank's financial liabilities can be classified into the following groups:

- measured at amortized cost;
- measured at fair value through profit or loss;
- measured at fair value through profit or loss and other comprehensive income.

Measurement at amortized cost.

For financial assets at amortized cost, interest income is recognized using the effective interest rate method.

The effective interest rate method (hereinafter referred to as the EIR method) ensures the same level of profitability of a financial instrument by allocating income and expenses evenly to all periods during its life.

The effective interest rate is applied in accordance with this policy, taking into account the Methodological Recommendations for Calculating the Effective Interest Rate on Financial Instruments in Ukrainian Banks.

To calculate the effective interest rate, cash flows are determined considering all the terms of the contract for the financial asset, including all fees and other amounts paid or received by the parties (transaction costs) that are an integral part of the income (expense) of the financial instrument, as well as amounts to be paid/received in the future, if such information is known at the time of initial recognition. If it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the end dates and amounts of cash flows stipulated in the contract are used.

For certain financial instruments for which cash flows cannot be estimated (overdrafts, credit card loans, overnight loans/deposits, NOSTRO accounts, etc.), interest income/expense is accrued using the nominal rate.

Short-term financial debt, receivables from the Bank's business operations, and cash do not bear interest and their amortized cost is equal to the actual cost of acquisition or origination of the asset.

Such assets are tested for impairment at each reporting date and, if necessary, impairment provisions are made or adjusted through profit or loss in class 7 accounts.

Measurement at fair value through profit or loss.

For financial assets at fair value through profit or loss, the Bank recognizes income/expense at each reporting date (at the end of each month) for the difference between the fair value and the carrying amount of the financial instrument.

In this case, interest is accrued first, amortization of the discount or premium is calculated, and only then the financial asset is revalued or impaired by the difference between the fair value and the carrying amount of the asset.

For securities, the Bank recognizes interest income on debt securities at fair value through profit or loss as part of the revaluation. No interest is accrued and no discount or premium is amortized on such securities.

No impairment testing is performed and no impairment provisions are made for such assets.

Measurement at fair value through other comprehensive income.

For financial assets at fair value through other comprehensive income, the Bank recognizes income/expense at each reporting date (at the end of each month) for the difference between the fair

value and the carrying amount of the financial instrument on equity accounts. Such assets (other than equity instruments) are assessed for impairment at each reporting date and impairment provisions are created or adjusted, if necessary, through profit or loss.

For debt instruments, interest is first accrued, discount or premium amortization is calculated, and provisions are calculated, and only then is the financial asset revalued or impaired for the difference between the fair value and the carrying amount of the asset.

Dividend income from shares is recognized in the income account, and only then is the financial asset revalued or impaired by the difference between the fair value and the carrying amount of the asset.

It should be borne in mind that, as a rule, a positive revaluation result is unlikely to occur when a reserve is available.

The revaluation amount recognized in equity is not transferred to profit or loss. On disposal of financial assets, the cumulative revaluation is transferred to retained earnings.

For shares for which there is no quoted market price, the fair value is assumed to be their cost.

Cash, including NOSTRO accounts, is subsequently measured at amortized cost (amortized cost equals the actual cost of acquisition or origination of the asset).

The measurement methodology for financial liabilities measured at amortized cost is similar to that for financial assets at amortized cost.

Guarantees are valued at the higher of the two values:

- the amount of provision for expected credit losses;
- the amount initially recognized less amortization of guarantee fees calculated on a straight-line basis.

LORO accounts and demand deposits (including current accounts) are measured at cost.

The Bank accounts for all non-derivative financial liabilities at amortized cost.

Derivatives are carried at fair value through profit or loss. For derivative financial liabilities that the Bank acquires or creates for hedging purposes, in the absence of documentation of the hedging relationship as required by IFRS 9, all such liabilities are also classified as at fair value through profit or loss.

The general principles of classification of financial assets and liabilities are approved in the Regulation on the Procedure for Recognizing the Amount of Credit Risk from Active Banking Operations and Formation of an Estimated Provision for Expected Credit Losses from Operations with Financial Instruments at BANK ALLIANCE JSC (New Edition), hereinafter referred to as the Regulation, which is a part of the Accounting Policy.

4.3.5. Reclassification of financial assets.

All recognized financial assets are reclassified only in the event of a change in the business model of the Bank's operations. Such changes are expected to be very rare. Such changes must be determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and observable to external parties.

Accordingly, a change in the Bank's business model may occur if and only if the Bank enters or ceases to engage in significant activities; for example, if the Bank acquires, disposes of, or ceases

to operate a particular line of business. In particular, during the annual business model test, if the business model changes due to exceeding the maximum sales volumes for the period, provided that these sales indicate a change in the Bank's approach to managing assets (both existing and new), the Bank changes the business model and reclassifies existing assets on the first business day of January of the following year

In all other cases of business model changes (in particular, if the business model changes due to exceeding the maximum sales volumes for the period, provided that the Bank does not plan to sell the balance of existing assets, but the sale of new assets acquired after the date of business model testing is considered), existing financial assets are not reclassified, the new business model is applied only to financial assets acquired after the date of business model testing.

If the Bank reclassifies financial assets, it applies the reclassification prospectively from the date of reclassification. The Bank does not restate any previously recognized gain, loss or interest.

If the Bank decides to reclassify a financial asset *carried at amortized cost to the fair value through profit or loss category*, the Bank determines its fair value at the date of reclassification. The Bank recognizes the difference between the previous amortized cost of the financial asset and its fair value in profit or loss.

If the Bank decides to reclassify a financial asset *at fair value through profit or loss to the category of financial assets measured at amortized cost*, it determines the fair value of the financial asset at the date of reclassification. The fair value on the date of reclassification is equal to the new gross carrying amount of such asset.

The Bank determines the effective interest rate based on the gross carrying amount of the financial asset in the new category and recognizes an allowance for expected credit losses at the date of reclassification (unless the reclassified financial asset is an impaired financial asset).

When the Bank decides to reclassify a financial asset *carried at amortized cost to the category of financial assets at fair value through other comprehensive income*, it determines its fair value at the date of reclassification. The Bank recognizes the difference between the previous amortized cost of the financial asset and its fair value in other comprehensive income. The Bank does not reassess, at the date of reclassification, the effective interest rate determined at initial recognition and the measurement of expected credit losses.

If the Bank decides to reclassify a financial asset *carried at fair value through other comprehensive income to the category of financial assets at amortized cost*, it measures the financial asset at its fair value at the date of reclassification.

The Bank removes the cumulative amount of the gain or loss previously recognized in other comprehensive income from equity on the date of reclassification. This adjustment affects other comprehensive income but has no effect on profit or loss and is not a reclassification adjustment. The effective interest rate determined at initial recognition and the measurement of credit losses at the date of reclassification do not change.

4.3.6. Criteria for recognizing provisions for liabilities.

The Bank calculates the credit risk exposure on financial liabilities granted on an individual basis. The Bank assesses credit risk on financial liabilities granted that are accounted for on off-balance sheet accounts of the following groups:

- provided guarantees, sureties, letters of credit and acceptances;
- liabilities on loans to banks;
- liabilities on loans to clients;
- currency and precious metals receivable;
- foreign currency and precious metals receivable under contracts at fair value through profit or loss, which are settled on a net basis (without delivery of the underlying asset);
- securities receivable under underwriting transactions;
- Assets receivable under contracts at fair value through profit or loss that are settled on a net basis (without delivery of the underlying asset);
- assets receivable.

The Bank determines the class 1 of the debtor/counterparty and the value of the PD ratio equal to "0" for:

- liabilities on loans to clients (other than banks) that are revocable and risk-free, i.e., the terms of the agreement stipulate the unconditional right of the Bank to unilaterally refuse to further fulfill its liabilities without prior notice to the debtor, including in case of deterioration of the debtor's financial condition and/or late fulfillment of contractual liabilities to the Bank;
- avalized tax bills issued by the Bank;
- transactions with assets receivable on spot terms, forward, option and futures contracts under which the Bank has no obligation to make a prepayment and the right to refuse to fulfill the obligation, including by offsetting counterclaims, is provided for by the terms of the contract.

The Bank calculates the credit risk exposure on an irrevocable financial liability by taking into account the exposure at risk (EAD) reduced by the amount of consideration received by the Bank and then applying a credit conversion factor (CCF) depending on the term and type of financial liability.

The Bank determines the value of the probability of default of the debtor under the financial liability granted depending on the type of debtor (legal entity debtor, individual debtor, bank debtor, budgetary institution debtor).

The Bank classifies the debtor under the financial obligation provided as Class 1 until the time of its fulfillment, if it is not subject to the exemptions:

- signs indicating a high credit risk of the debtor/counterparty;
- requirements for the Bank to recognize the debtor/counterparty's default.

4.3.7. Criteria for impairment of financial assets and estimation of credit loss expectations.

4.3.7.1. Stages of impairment.

IFRS 9 introduces a three-stage impairment model based on changes in the credit quality of an instrument since initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in ***Stage 1*** and its credit risk is subject to further ongoing monitoring. If there has been a significant increase in credit risk since initial recognition, the financial instrument is transferred to ***Stage 2***, but it is not yet considered credit-impaired. If the financial instrument is credit-impaired, it is transferred to ***Stage 3***.

For financial instruments in ***Stage 1***, the expected credit losses are measured as a portion of the lifetime ECLs that are expected to arise from default events within the next 12 months. For

instruments in *Stage 2 or 3*, the expected credit losses are measured based on the credit losses expected to arise from default events over the entire life of the instrument.

IFRS 9 requires that forward-looking information be taken into account when calculating expected credit losses. Purchased or originated credit-impaired financial assets are financial assets that are credit-impaired at the date of initial recognition. Expected credit losses for such instruments are always measured on a lifetime basis.

The Bank recognizes an allowance for expected credit losses for debt financial assets carried at amortized cost and debt financial assets at fair value through other comprehensive income.

The Bank recognizes a valuation allowance for a financial asset *in Stage 1* of impairment (expected credit losses within 12 months) no later than the closest reporting date after initial recognition of the financial asset. The closest reporting date for the purpose of establishing the allowance for expected credit losses on financial instruments is the last day of the month in which the financial instrument was recognized.

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

The Bank continues to recognize a valuation allowance for a financial asset *in Stage 1* of impairment if, at the reporting date, the level of risk on 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 recognizes a valuation allowance for a financial asset *at Stage 2* of impairment (expected credit losses over the life of the financial asset) if, at the reporting date, the risk level has increased significantly since initial recognition, the principal amount of the debt or most of it is due on the final maturity date or for a period of more than a year, for individually significant assets, which include active operations with a total debt amount of UAH 2 000 000,00 and above, or the equivalent of this amount in a foreign currency determined by the official

The Bank recognizes a valuation allowance for a financial asset *at Stage 3* of credit risk impairment (expected credit losses for the entire life of the financial asset) if, at the reporting date, there is objective evidence that the financial asset is impaired, namely: observable data that is observable and which leads to a loss, including but not limited to the following: the financial position corresponds to classes 10/5/2, depending on the type of financial instrument; the application of downward pressure on the financial position, depending on the type of financial instrument

Taking into account the need to form a sufficient number of historical observations relevant in time and for similar financial assets, including under normal economic conditions, the Bank, within the limits of prudence, recognizes a valuation allowance for financial assets - credit operations, including interbank loans and financial receivables with maturities of more than three months, balances on nostro accounts, guarantee liabilities at the second stage of impairment - expected credit losses for the entire term of the

Under the simplified approach, the Bank recognizes lifetime expected credit losses for trade receivables or contract assets arising from transactions within the scope of International Financial Reporting Standard 15 Revenue from Contracts with Clients that: do not contain a significant financing component in accordance with IFRS 15 or contain a significant financing component in accordance with IFRS 15, the Bank elects to measure an allowance for expected credit losses in an amount equal to the expected credit loss.

The Bank recognizes a valuation allowance for a financial asset at the third stage of credit risk impairment (impairment of financial assets based on signs of default events) if, at the reporting date, there is objective evidence that a financial asset is impaired, namely: observable data that is observable and leads to a loss, including but not limited to the following: the financial position corresponds to classes 10/5/2, depending on the type of financial instrument; application of downward factors that reduce the financial position, depending on the type of financial instrument.

4.3.7.2 Acquired and originated impaired financial assets

The Bank does not recognize a valuation allowance for purchased or originated impaired financial assets at the date of initial recognition. Initially expected credit losses on such a financial asset are included in the effective interest rate adjusted for credit risk.

For such a financial asset, it is not possible to move from the third stage of impairment to the second or first stage.

4.3.7.3 Methods for calculating expected credit losses, determining the criteria for a significant increase in credit risk.

Credit risk is calculated in five stages:

- **Stage I:** analysis of the primary level of credit risk;
- **Stage II:** analysis of the characteristics of an active transaction;
- **Stage III:** calculation of the credit risk on active transactions (CR);
- **Stage IV:** calculation of the allowance for expected credit losses on transactions with financial instruments (ECL);
- **Stage V:** approval of the estimated level of credit risk and the estimated allowance for expected credit losses by the Credit Committee/Management Board.

The Bank determines credit risk on assets in accordance with the principle of the essence of the Bank's active operations over their form, which means ensuring completeness and adequate assessment of credit risk when calculating the amount of credit risk/forming provisions for assets on both an individual and group basis.

The estimation of allowances for expected credit losses for financial assets measured at amortized cost and at fair value through other comprehensive income is an area that requires the use of sophisticated models and significant assumptions about future economic and debt service conditions.

The Bank applies methods (techniques) to reduce credit risk that objectively, in compliance with the principle of prudence, ensure its minimization. In particular, with regard to the received collateral, there is objective evidence of its existence (availability); accessibility; market value assessment; insurance; control over the proper condition, safety, disposal/replacement of collateral; and the possibility of alienation of collateral in favor of the bank.

In addition, the Bank takes into account its own experience in assessing credit risk by applying the judgment of the Bank's management/board of directors in part:

- downward adjustment (downgrading) of the debtor/counterparty class;
- assessing the impact on the financial condition of a legal entity debtor of risks resulting from its participation in a group of legal entities under common control and/or a group of related counterparties.

In order to ensure an adequate assessment of an asset, the Bank takes into account the signs that indicate a high credit risk of a debtor/counterparty. The Bank takes into account such indicators by adjusting the class of the borrower/counterparty.

The Bank determines the class of the debtor/counterparty no higher than 5 (for legal entities other than banks, budgetary institutions and legal entities that are debtors on a loan for an investment project)/3 (for other debtors) if the following criteria are met:

- granting a loan to a non-resident legal entity whose rating is not confirmed by any of the world's leading rating agencies (companies) as defined by the laws of Ukraine and other internal documents of the Bank;
- operation of the debtor, a legal entity, for less than one year from the date of state registration (not applicable in case of reorganization of the debtor; debtor's belonging to a group; assessment of the debtor on a loan for an investment project);
- overdue debt of 31 calendar days or more [from the date of fulfillment of the obligation (payment) in accordance with the terms of the agreement] for (not applicable if the debtor/counterparty belongs to a group):
 - a bill of exchange;
 - a factoring transaction;
- the debtor is a legal entity, including a securities issuer (non-resident), that does not have an international credit rating.

The Bank determines the class of the debtor/counterparty no higher than 9 (for legal entities other than banks, budgetary institutions and legal entities that are debtors on a loan for an investment project)/4 (for other debtors) if the following criteria are met:

- the allocation of a loan granted to debtor A to repay a loan to debtor B, which was used by debtor B to repay a loan to debtor C;
- overdue debt of 61 calendar days or more [from the date of fulfillment of the obligation (payment) in accordance with the terms of the agreement] for (not applicable if the debtor/counterparty belongs to a group):
 - a bill of exchange;
 - a factoring operation;
- the debtor is a legal entity with a negative capital value at the end of the year for the last three consecutive years (if the debtor belongs to a group, it applies to the group);
- the debtor is a legal entity and has the same ratio (if the debtor belongs to a group, it applies to the group):
- placement by the bank of funds on a correspondent account with a non-resident counterparty bank with a credit rating on the international scale that is lower than "BB+" according to the classification of the Standard & Poor's rating agency or Fitch Ratings/"Ba1" according to the classification of the Moody's Investors Service rating agency, the number of transactions (other than accrual of income) for which for three consecutive months preceding the date of assessment was less than two.

The Bank determines the class of the debtor bank/counterparty no higher than 4 for funds placed on correspondent accounts with other banks that are immobilized/encumbered.

4.3.7.4 Definition of default

The assessment of credit risk in relation to a portfolio of assets involves further estimates of probability of default, associated loss ratios and correlations of default between counterparties. The

Bank calculates credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

Loss given default (LGD) is a component (coefficient) of the credit risk calculation that reflects the level of losses (damages) due to the debtor/counterparty default.

Probability of default (PD) is a component (coefficient) of the calculation of credit risk/expected credit losses that reflects the probability of the debtor/counterparty ceasing to fulfill its liabilities

Expected credit losses (or ECL) is a weighted average of credit losses determined using the respective probabilities of default events as weighting factors.

The definition of default used by the Bank is fully consistent with the definition of credit impairment, and a default is recognized on a financial instrument if one or more of the criteria (events) is met.

The Bank recognizes the default of a debtor/counterparty and determines its class not higher than 10 (for legal entities) / 5 (for other debtors) upon the occurrence of one or both of the following events:

- the debtor/counterparty (other than another bank) is more than 90 calendar days overdue in repayment of its debt to the Bank. The debtor bank/counterparty is overdue in debt repayment/failed to fulfill the Bank's request by more than 30 calendar days;
- the debtor/counterparty is unable to fully fulfill its liabilities to the Bank, its parent and subsidiaries within the timeframe established by the agreement(s) without the Bank applying the procedure for foreclosure on collateral (if any).

The Bank shall deem an event of default referred to in the subclauses above to have occurred if at least one of the following conditions is met:

- the allowance for impairment of a financial asset granted to a debtor is 50 percent or more of the debt;
- amendments to the terms of the agreement, including those related to debt restructuring (except for debt restructuring carried out in accordance with the requirements of the laws of Ukraine on financial restructuring or restructuring of liabilities of Ukrainian citizens under foreign currency loans under which the debtor fulfills the terms of the agreement), provide for:
 - forgiveness of part of the debt and/or,
 - capitalization or replacement with another asset of accrued and unpaid interest for more than 90 consecutive calendar days;
- the debtor/counterparty has filed for bankruptcy;
- the debtor/counterparty has been declared bankrupt/liquidation (termination) of a legal entity has been initiated in accordance with the procedure established by law/a debtor bank has been classified as insolvent by the National Bank of Ukraine/a banking license has been revoked;
- The Bank has initiated bankruptcy proceedings against the debtor/counterparty in accordance with the procedure established by Ukrainian law;
- The bank has decided to convert (transfer) part or all of the debtor/counterparty's debt into the debtor/counterparty's equity (except in cases provided for by the law of Ukraine on financial restructuring);

- at least one of the credit ratings on the international scale of the debtor - legal entity has been downgraded to "D" according to the classification of the rating agency "Standard & Poor's" or the rating agency "Fitch Ratings"/to "C" according to the classification of the rating agency "Moody's Investors Service";
- the asset was re-exchanged/subsequently replaced with another asset;
- amendments to the terms of the agreement, not related to restructuring, in terms of extending the terms of use of an asset provided to a debtor that is unable to repay the debt without selling the collateral, despite the absence of a credit risk of default at the date of assessment of the debt repayment. Extending the term of a separate tranche within the credit line opened by the Bank to the debtor does not constitute an amendment to the terms of the agreement to extend the term of use of the asset;
- one of the debtor's/counterparty's assets was written off against the provision;
- one of the debtor/counterparty's assets was sold at a loss of 20 percent or more of the debt;
- the Bank canceled the lease agreement for one of the assets of the debtor, which is a lessee, due to the debtor's (lessee's) breach of the agreement;
- sale by the Bank of an asset/assignment of the right to claim on an asset with a deferred payment for more than seven calendar days, in accordance with the terms of the asset sale/assignment agreement (including amendments to the asset sale agreement), accompanied by one or more of the following events:
 - as of the date of credit risk assessment, the counterparty acquiring the asset has paid less than 30 percent of its value to the Bank/no payment has been made on the asset;
 - the counterparty pays for the asset in one payment at the end of the contractual term of the asset sale or pays a larger share of the asset's value close to the end of the contractual term of the asset sale;
- there is a debt overdue for more than 90 calendar days (from the date of fulfillment of the obligation (payment) in accordance with the terms of the agreement) for:
 - a bill of exchange;
 - a factoring operation;
- the debtor, which is the issuer of securities, has been included in the list of issuers with signs of fictitiousness in accordance with the procedure established by a regulatory act of the National Securities and Stock Market Commission;
- there is a delay in the repayment of the nominal value or interest for more than seven calendar days on debt securities;
- in the Bank:
- there are no financial statements of the debtor that is a legal entity for the last reporting period more than three months after the deadline for submission,
 - and/or
 - there is no decoding of the data in Form 2 (2-m, 2-ms) "Statement of Financial Performance" (columns 2000, 2010 and 2120) of the Accounting Regulations (Standards) 1 or 25 of the annual financial statements of the debtor - legal entity for the last reporting year regarding the structure of income;
 - the debtor's financial statements, on the basis of which the Bank assessed the financial condition of such debtor, do not meet the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" / the requirements of the legislation of the country of location of the non-resident debtor;

- the financial statements provided by the debtor have an adverse auditor's opinion/a disclaimer of opinion;
- the debtor has exercised the option provided for in the loan agreement to change the preliminary conditions for fulfilling its liabilities.

The Bank shall recognize an event of default as occurred if at least one of the following signs is present, unless the Bank, based on its judgment, proves that the debtor/counterparty has not defaulted in the event:

- repayment of debt by the debtor (except for debt under a loan for an investment project; a loan granted for production purposes with a seasonal or cyclical nature of production; a loan granted to a debtor that is a member of a group whose consolidated/combined statements indicate the possibility of ensuring its financial stability) in an amount less than the amount of income recognized by the bank in accordance with the regulations of the National Bank of Ukraine on accounting;
- Amendments to the terms of the agreement related to debt restructuring (except for: debt restructuring carried out in accordance with the requirements of the laws of Ukraine on financial restructuring or restructuring of liabilities of Ukrainian citizens under foreign currency loans, under which the debtor fulfills the terms of the agreement), which is associated with financial difficulties of the debtor, which have the following features: the debtor's class determined by the Bank at the time of restructuring is not higher than 8 (for legal entities other than banks, budgetary institutions and legal entities that are debtors under an investment project loan) / 4 (for other debtors), and/or at the time of restructuring the debtor is overdue for more than 30 calendar days;
- Amendments to the terms of the contract, in the absence of which the asset would have been classified as non-performing assets by the Bank;
- a decrease in the interest rate by more than 30 percent from the original terms of the agreement as a result of changes in the previous terms of the agreement not related to the restructuring, not caused by changes in market conditions;
- if the debtor, a legal entity, does not have its own/leased property, plant and equipment or other property necessary for its operations (production equipment, warehouses, vehicles, retail or office premises, etc.) as of the reporting date that generates cash flows in the amounts required to repay the loan;
- if the Bank does not have information on the ultimate beneficial owners (controllers) of the debtor that is a legal entity;
- if the debtor, a legal entity, does not have the staff necessary to carry out its operating activities;
- if there is no debtor, a legal entity, at the address of its location;
- if the debtor has exercised the option provided for in the loan agreement to change the previous conditions for fulfilling its liabilities to those that meet the criteria specified in this clause.

The Bank decides to terminate recognition of the debtor/counterparty's default if the following conditions are met simultaneously:

- the borrower/counterparty has resumed regular payments, i.e., for at least 180 consecutive calendar days from the date the Bank takes measures to restore its ability to service the debt, ensures monthly or, within 365 days, quarterly repayment of the principal

debt or interest in an amount not less than the amount of accrued interest at the rate specified in the agreement for the relevant period (month, quarter);

- at least 180 days have elapsed since the event(s) that resulted in the debtor's default;
- none of the liabilities of the debtor/counterparty as of the date of the decision to terminate the recognition of the debtor/counterparty's default is overdue by more than 30 calendar days;
- The Bank has a documented reasonable judgment that the debtor/counterparty is able to service the debt despite the existing financial difficulties.

In the event of termination of recognition of the debtor/counterparty's default previously recognized by the Bank based on the occurrence of events of default identified/defined, the Bank shall not re-recognize such events as events of default.

4.3.7.5 Criteria for transferring an asset from one stage of impairment to another due to a change in credit risk level.

A financial asset that is not credit-impaired upon initial recognition is classified by the Bank in *Stage 1* and is continuously monitored and transferred to Stage 2 if the credit risk increases significantly (due to the class and number of days of debt overdue, etc.).

If the credit risk decreases within 12 months from initial recognition, the Bank may return the financial asset from *Stage 2* to *Stage 1*.

After 12 months from initial recognition, the Bank leaves the financial asset in *Stage 2* and, if the credit risk has increased significantly, moves the financial asset to *Stage 3*.

A financial asset ceases to be considered in default (i.e. is recovered) if it no longer meets any of the criteria for recognizing default for at least 3 consecutive months, or longer for restructured non-performing loans, and is determined based on an analysis that takes into account the likelihood that the financial instrument will return to default status after recovery and takes into account different definitions of recovery from default.

4.3.8. The procedure for considering forecast information when recognizing expected credit losses, including macroeconomic information.

To form observations, including historical ones, it is necessary to have a relevant period of observations of similar financial assets under normal economic conditions, sufficient diversification of the portfolio(s), both in total amount and by the number of debtors/counterparties and transactions with them.

In the absence of the possibility of applying a sufficient level of historical observation, the Bank makes an assessment in accordance with the credit rating of the debtor/counterparty (financial condition/class) and the value of PD: probability of default (risk indicator) determined on its basis in accordance with the assessment methods used by market participants to calculate the amount of credit risk determined by the Regulations, taking into account the impact of macroeconomic factors determined by other internal banking regulations or in the case of

4.3.9. Changes in valuation techniques and significant assumptions made during the reporting period, and the reasons for those changes.

During 2023, there were no changes in valuation techniques for financial instruments and significant assumptions.

4.3.10. Disclosure of the policy for partial or full write-off of financial instruments and for recognition and derecognition and derecognition of restructured loans (Derecognition of financial instruments)

Financial assets

A financial asset or a group of similar financial assets (or part of a financial asset or part of a group of similar financial assets) is derecognized:

- if the rights to receive cash flows from the financial asset have expired;
- if the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed a contractual obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- if the Bank has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Bank continues to recognize the asset to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over a transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

If continuing involvement takes the form of a written and/or purchased option (including options that are settled on a net basis or similar instruments) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank has an option to repurchase.

However, in the case of a written put option (including cash-settled options or similar instruments) on an asset measured at fair value, the extent of the Bank's continuing involvement is the lower of the fair value of the asset transferred and the option exercise price.

The Bank writes off the gross carrying amount of a financial asset measured at amortized cost, respectively, in part or in full, if there is no reasonable expectation of its recovery.

Financial liabilities.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

4.3.11. Modification of contractual cash flows on financial assets

If the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in derecognition of the financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and recognize the *gain or loss on the modification* in profit or loss.

The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate (or a credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, where appropriate, at the revised effective interest rate.

The carrying amount of the modified financial asset is adjusted for any costs or fees and amortized over the remaining life of the modified financial asset.

Modification is not performed in the following cases:

- 1) when entering into additional agreements to revolving credit line agreements;
- 2) when entering into additional agreements under floating rate agreements;
- 3) when concluding additional agreements under which the prolongation, deferral of payment of accrued interest/commissions and payment of the loan principal according to the schedule occurs up to 3 calendar months inclusive.

4.3.12. Methodology for determining internal ratings and collateral assessment

The Bank determines internal ratings (classes of debtors) based on an assessment of the financial condition of the debtor. The financial condition of debtors is determined using a logistic model that calculates an integral indicator for legal entities and a scoring system for other debtors, and further adjusts the class for signs of increased credit risk and signs of default, and a simplified approach that estimates the number of days an asset is recorded in the bank's balance sheet for commercial receivables and the number of days a debt is overdue for financial receivables with a maturity of more than three months.

Collateral is valued on the basis of reports on determining the market value of property performed by independent appraisers, with further consideration of the principles of eligibility and liquidity levels.

Note 4.4. Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid assets that are readily convertible to known amounts of cash at short notice and are subject to an insignificant risk of changes in value. Cash and cash equivalents are maintained to meet short-term Liabilities and are not available for investment or other purposes.

The Bank's cash and cash equivalents consist of cash on hand, amounts due from the National Bank of Ukraine and correspondent accounts with other banks.

Note 4.5. Mandatory reserves on the accounts of the National Bank of Ukraine.

As at the end of the reporting year 2023 and the previous year 2022, the Bank had no obligation to transfer mandatory reserves to separate accounts opened with the National Bank of Ukraine.

Note 4.6. Loans and receivables from Banks.

The Bank carries out lending operations in accordance with the laws of Ukraine, regulations of the National Bank of Ukraine, the Bank's credit policy, and other internal documents governing the Bank's lending activities.

Due from other banks include short-term loans placed in the interbank market of Ukraine for which the Bank recognizes impairment. Such loans are initially recognized and subsequently accounted for using the same accounting principles as for loans to clients.

Note 4.7. Loans and advances to customers

The Bank carries out lending operations in accordance with the laws of Ukraine, regulations of the National Bank of Ukraine, the Bank's credit policy, and other internal documents governing the Bank's lending activities.

A bank loan is any obligation of the Bank to provide a certain amount of money, any guarantee, any obligation to purchase a debt claim, any extension of the debt maturity date, which is given in exchange for the debtor's obligation to repay the amount owed, as well as the obligation to pay interest and other fees on such amount.

Lending transactions include the Bank's active operations related to the provision of funds for temporary use to clients (cash or non-cash loans, factoring, repurchase transactions, etc.) or the assumption of liabilities to provide funds for temporary use (guarantees, sureties, avalas, etc.), any debt repayment provided in exchange for the debtor's obligation to repay the amount owed, as well as the obligation to pay interest and other fees on such amount.

All lending transactions were carried out in accordance with the requirements of Ukrainian legislation and internal documents of the Bank on the basis of written agreements signed by authorized persons.

Decisions on granting loans and determining all material terms and conditions of loan agreements were made by collegial bodies (Credit Committee, Management Board, Supervisory Board) in accordance with the powers established by the Bank's Charter and internal regulations governing the Bank's lending operations.

Loans were classified and measured based on the business model used to manage the assets and contractual cash flow characteristics at amortized cost.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, net of any proceeds received or paid (principal, interest income (expense) or other payments that originate the financial asset or financial liability), increased or decreased by the cumulative amortization calculated using the effective interest rate - the difference between the amount initially recognized and the amount at which the financial asset or financial liability is repaid.

The business model was determined not for each loan granted, but at the level of groups of financial assets.

Loans are measured and carried at amortized cost if the following conditions are met:

- the financial asset is held within a business model whose objective is to hold the financial assets to collect the contractual cash flows;
- the contract provides for the receipt on specified dates of cash flows that are solely payments of principal and interest on the outstanding principal amount.

Interest income on loans carried at amortized cost is recognized at the effective interest rate of the gross carrying amount, except for certain exceptions:

- purchased or originated impaired financial assets. For such financial assets, the effective interest rate adjusted for credit risk is applied to the amortized cost of the financial asset from the date of initial recognition;
- financial assets that were not acquired or originated as impaired financial assets but subsequently became impaired financial assets. For such financial assets, the Bank should apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

If, as a result of certain events, a previously impaired financial asset has recovered and is no longer impaired, the Bank recognizes interest income at the effective interest rate on the gross carrying amount of the asset, from the next interest rate period.

The Bank recognizes interest income and expense on interest income and expense accounts in classes 6 and 7 using the effective interest rate method.

For financial instruments with floating interest rates, periodic repricing of cash flows to reflect market interest rates results in a change in the effective interest rate.

The Bank amortizes the unamortized discount on loans granted at least once a month, simultaneously with the accrual of interest.

For financial instruments for which future cash flows cannot be estimated (overdrafts, revolving credit lines) and for which the effective interest rate is not applicable, the Bank uses the nominal interest rate to recognize interest income.

As of the reporting date, the Bank analyzes changes in the expected credit loss to form (dissolve) an allowance for loan impairment in accordance with International Financial Reporting Standards, the Bank's internal documents and in accordance with the procedure established by the NBU regulations.

For credit transactions (e.g., factoring, imputed promissory notes) where funds are provided to one person - the borrower (counterparty) - and the debt is repaid by another, analytical accounting is maintained for the counterparty that repays the credit debt.

On the date of the lending transaction, i.e. on the date the Bank has any lending commitment, the amount of the commitment is recorded on the respective off-balance sheet account. If on the day the Bank has an obligation to extend credit, the loan is disbursed in full, no credit related Liabilities are recorded on off-balance sheet accounts.

Loans granted are recorded on the respective balance sheet accounts depending on the type of borrower, type of transaction, term and purpose of use of the funds. Simultaneously with the reflection of funds provided to the borrower on the respective balance sheet accounts, the loan commitment recorded on the respective off-balance sheet accounts is reduced by this amount.

The amount of debt not paid by the borrower within the contractual period is transferred to the relevant accounts on the next business day using separate parameters for accounting for overdue debt.

In order to repay the loan indebtedness of individual borrowers and individual entrepreneurs on loans received in foreign currency, the Bank may purchase foreign currency for hryvnia received from borrowers to ensure their fulfillment of payments under loan agreements.

In accordance with the powers established by the Charter of BANK ALLIANCE JSC, internal documents of the Bank regulating credit relations, the collegial bodies (Credit Committee, Management Board, Supervisory Board) may decide to extend the loan term (prolongation) in case of receipt of the borrower's application.

At each reporting date, the Bank should recognize the results of changes in expected credit losses over the life of a financial asset that is impaired at initial recognition (including positive changes) in profit or loss as expenses/income from the formation/release of allowance accounts. Income from the dissolution of valuation allowances is recognized even if the amount of the previously formed allowance for such a financial asset exceeds the amount of the allowance.

On the date of derecognition of the original financial asset, the Bank recognizes a gain or loss on derecognition equal to the difference between the carrying amount of the original financial asset and the fair value of the new financial asset.

The Bank derecognizes a financial liability or a part of it in the balance sheet if such liability is discharged, cancelled or expires.

The Bank considers substantially different if the net present value of the cash flows under the new terms, discounted using the original effective interest rate (for a financial liability with a floating interest rate, the effective interest rate calculated at the last change in the nominal interest rate) differs by at least 10% from the discounted present value of the cash flows remaining to maturity of the original financial liability.

Overdraft loan agreement.

When entering into an overdraft loan agreement with a customer, the Bank grants the customer an overdraft within the established limit by paying the customer's settlement documents in excess of the customer's current account balance. At the same time, the amount of the loan granted is reduced by the amount of lending Liabilities recorded on the respective off-balance sheet account.

For clients with whom an overdraft agreement has been concluded, a special current account operating mode is established, namely, a debit balance may be generated on the current account.

In case of violation of the overdraft interest payment terms, the Bank transfers the interest accrued for the use of the overdraft to the account using separate parameters for accounting for overdue debt on accrued interest on loans to current operations. As the terms of the overdraft agreement are violated (late payment of interest), the principal amount of the overdraft debt is transferred to the account for accounting for loans in current operations. In case of repayment of the overdue debt with accrued interest, the principal amount is transferred to the overdraft account.

If the repayment of the overdraft principal is overdue, the debit balance on the overdraft account is transferred to the relevant accounts using separate parameters for accounting for overdue loans in current operations on the next business day after the overdue date.

In case of seizure of the customer's account, the Bank transfers the overdraft debt and accrued interest on the overdraft to the respective accounts for accounting for loans to current operations and accrued interest thereon.

Bad debts arising from loan transactions.

All loans issued (excluding off-balance sheet transactions and guarantees) are recognized as uncollectible in accordance with the Tax Code of Ukraine and the Group's own regulations and methodologies developed in accordance with International Standards.

In accordance with the Ukrainian legislation, the Bank carries out the necessary claims and lawsuits to use all opportunities to recover bad debts.

At any stage of the enforcement of a court decision, an amicable agreement may be concluded, which is an agreement entered into by the parties to terminate the dispute on terms agreed by the parties (debtor and creditor). When a settlement agreement is signed for the purpose of "forgiveness"/writing off the debt, the amount of such debt is written off against valuation allowances in accordance with the decision of the Management Board of the Bank in agreement with the Supervisory Board of the Bank upon recommendation of the Credit Committee.

In case of recognition of the debt on credit operations as uncollectible, and taking into account the provisions of the Regulation on determining the criteria for writing off impaired financial assets of Ukrainian banks against valuation allowances for expected credit losses, approved by the NBU Board Resolution No. 49 of 13 April 2020, it may be written off against the Bank's valuation allowance. The decision to write off such debt by the Collegial Bodies (Credit Committee, Management Board, Supervisory Board of the Bank) in accordance with the powers established by the Charter of BANK ALLIANCE JSC, internal documents of the Bank regulating credit operations.

At the time of recognizing a debt as uncollectible, provisions must be formed in full. If a decision is made to write off bad debts denominated in foreign currency, the Bank may purchase foreign currency in the interbank foreign exchange market of Ukraine in accordance with the regulations of the National Bank of Ukraine to form a provision.

In the event of repayment of loan debt written off against valuation allowances and recorded on off-balance sheet accounts of group 961 "Loss from write-off of liabilities", the proceeds are to be credited to accounts of group 671 "Recovery of written-off assets" if the debt was written off in previous years, or 770 "Additions to provisions" if the debt was written off in the current year.

Funds received in foreign currency to repay bad loans written off in previous years are credited to class 6 accounts (through the use of technical accounts 3800 and 3801) in the hryvnia equivalent at the official exchange rate of the hryvnia to foreign currencies on the date of receipt of these funds.

If funds in foreign currency are received by the Bank in the current year to repay bad loans written off against an allowance account, the hryvnia equivalent of such funds at the official exchange rate of the hryvnia to foreign currencies as of the date when the bad debt was written off against the allowance account is credited to accounts in group 770 "Charges in provisions". The difference between the hryvnia equivalent of the amount received at the official exchange rate of the hryvnia to foreign currencies at the date of receipt and the date when the debt was written off against the allowance is credited to account 6204 "Result from revaluation of foreign currencies and precious metals".

Receivables from operations with clients, banks and other entities consist of amounts due from the Bank's counterparties under transactions carried out within the scope of the license

obtained by the Bank and other transactions that do not contradict the requirements of the Ukrainian legislation.

Receivables from financial and business operations of the Bank consist of amounts due from counterparties to the Bank on transactions with financial instruments and amounts due from business operations of the Bank.

Receivables are amounts due from legal entities and individuals arising from their relationships with the Bank. Depending on the type of activity of the counterparty and the type of transaction, accounts receivable are recorded on the respective balance sheet accounts of the 1st, 2nd and 3rd classes of the Ukrainian Banking Accounting Manual.

A receivable is recognized as an asset to the extent that it is probable that future economic benefits will flow to the Group and its amount can be measured reliably. Upon initial recognition, accounts receivable are measured at their cost (contract value). Subsequently, at each reporting date, the Bank reviews receivables for impairment by making an allowance.

Accounts receivable are considered non-monetary balance sheet items if they are settled not in cash but with supporting documents for assets or services received and are recorded at the official exchange rate of the Hryvnia to foreign currencies at the date of recognition (date of transaction) or at the date of determination of fair value and are not revalued at each change in the official exchange rate of the Hryvnia to foreign currencies.

Accounts receivable are considered to be monetary items if they are to be settled within a specified period of time in fixed amounts of cash or cash equivalents and are accounted for at the official exchange rate of the Hryvnia to foreign currencies at the balance sheet date and are revalued at each change in the official exchange rate of the Hryvnia to foreign currencies before the date of recognition.

The Bank's divisions that initiate a transaction that gives rise to receivables monitor the status of these receivables, work to repay them, and are responsible for the results of this work and the timeliness of all measures to repay the receivables.

On a monthly basis, as of the first day of the month following the reporting month, the Bank takes an inventory of receivables and makes provisions in accordance with the requirements of internal regulations and methods developed in accordance with the requirements of International Financial Reporting Standards. Provisions for receivables are recorded on balance sheet accounts 1890 "Provisions for receivables from operations with banks"; 2890 "Provisions for receivables from operations with bank clients"; 3590 "Provisions for receivables from bank operations", 3599 "Provisions for financial receivables from bank operations".

Heads of departments responsible for accounting for receivables are responsible for timely and correct recording of receivables in the accounts in accordance with the primary documents provided and timely informing (by providing memos) the heads of departments that initiated the receivables on the occurrence of overdue liabilities specified in the contracts or overdue transactions established by law.

If the counterparty fails to meet the deadline for the delivery of goods, performance of work, or provision of services specified in the contract, the unit that initiated the debt must take all necessary measures to repay it.

Following a monthly inventory of receivables, the issue of provisioning for uncollectible receivables is submitted to the Credit Committee for consideration.

Accounts receivable for which all possible measures have been taken to collect them, as submitted by the Chief Accountant with the participation of the relevant departments, are written off the balance sheet by a decision of the Bank's Management Board.

Receivables for which the statute of limitations has expired or the Bank has received a decision to liquidate the debtor (cancel the state registration of a business entity) are written off the off-balance sheet on the basis of a decision of the Bank's Management Board.

Deferred expenses are expenses incurred by the Bank in the reporting period but related to future periods. They include, for example, expenses related to rent payments, membership fees, insurance of the Bank's property, subscriptions to newspapers and magazines, periodicals and reference books, etc. All these expenses are recorded as a debit to the "Prepaid expenses" account when incurred. The balance on the account can only be debit and will mean the presence of unallocated expenses of the following periods.

Items of deferred expenses arising in foreign currency and related to the performance of work or services are non-monetary items, are accounted for at the official exchange rate of the Hryvnia to foreign currencies at the date of settlement and are not revalued at each change in the official exchange rate of the Hryvnia to foreign currencies.

Note 4.8. Investments in financial instruments

Securities are documents that meet certain requirements and contain legally defined details. Securities are characterized by their circulation, standardization and serialization, marketability, liquidity, regulation and state recognition.

Securities certify the right of ownership and define the relationship between the person who issued them and their owner and provide for the payment of income in the form of dividends or interest, as well as the possibility of transferring monetary and other rights arising from these documents to other persons.

The rules set out in this section apply to equity instruments that do not have all the features of securities if the economic substance of the transactions is identical to the relevant type of securities.

The Bank accounts for purchases of securities and other financial assets classified as equity instruments using the settlement date method.

The Bank's securities accounting is carried out in accordance with the current Instruction on Accounting for Transactions with Financial Instruments in Ukrainian Banks, internal regulations and methods developed in accordance with international financial reporting standards.

For the purposes of measurement and accounting, the Bank's securities are classified based on the business model used to manage the securities and their contractual (or issue) cash flow characteristics.

Accounting for financial investments and their valuation is carried out for each investment by issuer/issuing entity.

After initial recognition, the Bank measures a debt financial asset based on its business model and contractual cash flow characteristics

- at amortized cost;
- at fair value through other comprehensive income;

- at fair value through profit or loss.

The Bank defines a business model at the level of groups of financial assets that it manages collectively to achieve a specific business objective.

The chosen business model must be specified in the decision of the Bank's body on the acquisition of the relevant package of securities.

The Bank reclassifies debt financial assets only if there has been a change in the business model used to manage the financial assets, except for financial assets that are designated at fair value through profit or loss at initial recognition.

The Bank measures and accounts for debt securities at amortized cost if the following conditions are met simultaneously:

- the asset is held within a business model whose objective is to hold financial assets to collect the contractual cash flows;
- the contract (terms of issue) provides for the receipt of cash flows on specified dates, which are exclusively payments of principal and interest on the outstanding principal amount.

The Bank measures and accounts for debt securities at fair value through other comprehensive income if the following conditions are met simultaneously:

- the asset is held within a business model whose objective is to collect contractual cash flows from both sales and purchases of financial assets;
- the contract (terms of issue) provides for the receipt of cash flows on specified dates, which are exclusively payments of principal and interest on the outstanding principal amount.

The Bank recognizes interest income [accrual of interest, amortization of discount/premium] on debt securities at the effective interest rate over the period from the date of purchase to the date of derecognition (sale, assignment, repayment, write-off against provisions) or reclassification.

The Bank recognizes interest income on debt securities at fair value through profit or loss as part of the revaluation. No interest is accrued and no discount or premium is amortized on such securities.

When purchasing coupon securities with accumulated interest, the Bank accounts for them under premium/discount accounts, the amount of the coupon received decreases the amount of the premium or increases the amount of the discount.

Interest income on debt securities (except for securities at fair value through profit or loss) is recognized on the date of their revaluation and necessarily on the balance sheet date, but at least once a month. The amount of amortization of the discount or premium is accrued simultaneously with the accrual of interest.

The Bank amortizes the discount (premium) on a financial instrument with a floating interest rate that changes depending on fluctuations in market rates or in the case of an offer, until the next interest rate repricing date.

At initial recognition of securities, the Bank recognizes a gain or loss on the difference between the fair value of the asset and the contractual amount in the accounts of discount/premium if the effective interest rate on the instrument is higher or lower than the market rate. The difference

between the fair value and the contractual amount in transactions with the Bank's shareholders is recognized in equity under class 5 accounts and is included in retained earnings (loss) on a straight-line basis over the period of its holding or in the aggregate amount when the securities are disposed of.

The Bank recognizes an allowance for expected credit losses on:

- securities measured at amortized cost;
- securities at fair value through other comprehensive income;
- the Bank does not recognize a valuation allowance for equity instruments.
- the Bank derecognizes securities if:
 - the rights to cash flows specified in the terms of the contract (issue terms) expire;
 - the transfer of the financial asset meets the criteria for derecognition in accordance with the requirements of IFRS 9 and other regulations.
 - a write-off was made against the provision.

Note 4.9. Derivative financial instruments.

Derivatives are financial instruments or other contracts that have the following characteristics:

- the value changes in response to changes in a specified interest rate, price of a financial instrument, foreign exchange rate or similar financial variable;
- do not require an initial net investment or require an initial net investment that is significantly less than what would be required for other types of contracts that have similar responses to changes in market factors;
- repaid at a future date.

After initial recognition, the Bank measures derivatives at fair value.

All derivatives held for trading with a positive fair value are reported as assets. All derivatives designated as trading instruments with a net book value of negative are reported as liabilities. Derivatives may not be reclassified out of the fair value through profit or loss category.

A loan (placed deposit) and a loan (attracted deposit) granted and received in the interbank market with the same counterparty, in different currencies, for an equivalent amount and with the same maturity are accounted for as derivative financial instruments.

Derivatives embedded in other financial instruments are separated from the host contract if their risks and economic characteristics are not closely related to those of the host contract. The Bank does not apply hedge accounting.

Note 4.10. Securities sale (purchase) agreements with an obligation to repurchase (sell).

Repurchase agreements with clients are secured by pledging securities and are accounted for as loans originated or received.

Securities purchased under repo are recorded as collateral received on respective off-balance sheet accounts at the value stated in the agreement.

Securities sold under repo are accounted for in a separate analytical account within the respective balance sheet securities account. At the same time, they are recorded on the corresponding off-balance sheet account as collateral provided.

In repo transactions, the Bank, as a buyer, receives commission in the form of interest or resale of securities at a higher price than when purchased (at a discount), therefore, accounting for interest income under repo transactions differs by the form of remuneration received.

Costs incurred by the Bank in executing reverse repos are amortized over the life of the agreement. In the case of perpetual repo transactions, the amortization period is determined on a straight-line basis depending on the expected life of the transaction.

For credit transactions (granted loans, guarantees, etc.), the amount of which is the hryvnia equivalent of a fixed amount in a foreign currency at the official exchange rate of the NBU on the date of fulfillment of liabilities, the balance recorded on the accounts of granted loans, guarantees, etc. is settled upon each change in the official exchange rate of the NBU.

When the official exchange rate of the NBU changes, the amount of revaluation of loan balances is recorded on balance sheet account 6204 "Result from revaluation of foreign currency and precious metals", and guarantees issued - on off-balance sheet account 9900 "Counter accounts for accounts of sections 90-95".

Note 4.11: Investments in associates and subsidiaries.

During the reporting and previous years, the Bank did not invest in associates and subsidiaries.

Note 4.12. Investment property.

The Bank recognizes real estate as investment property if it is held by the Bank to earn lease payments or for capital appreciation or both, and not for supplying services or administrative purposes.

Investment property is:

- land held to benefit from capital appreciation in the long term rather than for sale in the short term in the course of business;
- land, the further use of which is not determined as of a certain date;
- a building owned or obtained under a financial lease (rental) agreement that is leased (rented) under one or more operating lease (rental) agreements. An object is recognized as investment property if the area provided for leasing exceeds 50% of the total area of the building.
- a building that is not currently occupied but is intended for leasing (renting) under one or more operating lease (rent) agreements;
- property that is being constructed or improved for future use as investment property.

The Bank measures and recognizes investment property at cost. The cost of investment property includes its acquisition price and all directly attributable costs. Investment property is subsequently recognized on the Bank's balance sheet at fair value.

The fair value is estimated by a valuation entity. Changes in the fair value of an investment property are recognized in the accounting records if the deviation of the fair value from the carrying amount is more than 10%.

Investment property is derecognized in the Bank's balance sheet in the following cases:

- upon disposal of an object as a result of sale;
- when transferred into financial lease (leasing);

- during liquidation;
- when transferring from investment property to owner-occupied property;
- if no further economic benefits are expected to be derived from its use.

The decision to classify real estate as investment or owner-occupied real estate (including in the case of transfer from the category of investment real estate to owner-occupied real estate and vice versa in the course of operation) is made by a collegial body and documented in a relevant protocol.

Expenses for routine maintenance, repair and upkeep of investment property are recognized as expenses when incurred.

Capital expenditures for construction or development and for reconstruction of an investment property to be used as investment property in the long term increase its value.

The Bank determines the financial result from disposal of an investment property as the difference between the proceeds from disposal of the property and its carrying amount and recognizes them as other income/expense of the Bank in the reporting period in which the disposal or liquidation occurs.

The Bank acquired ownership of the property accounted for on the investment property accounts by exercising the rights of a pledgee. Investment property is carried at fair value.

Note 4.13: Goodwill.

During the reporting and previous years, the Bank did not recognize and account for goodwill.

Note 4.14. Property, plant and equipment.

According to IAS 16, *property, plant and equipment* are tangible assets that are used to make a business:

- held for use in the production or supply of goods or services for lease or for administrative purposes;
- are expected to be used for more than one period.

In determining the assets classified as property, plant and equipment, the Bank is guided by IAS 16, Property, Plant and Equipment, the Instruction on Accounting for Property, Plant and Equipment and Intangible Assets of Ukrainian Banks approved by the Resolution of the Board of the National Bank of Ukraine No. 480 of 20 December 2005 (as amended) and internal regulations of the Bank. A unit of accounting for property, plant and equipment is a separate inventory item of property, plant and equipment. The Bank determines the cost of items with a useful life of more than one year and whose cost per unit or set is UAH 20000 or more, taking into account the useful life of the item of property, plant and equipment.

The Bank initially recognizes property, plant and equipment at cost (acquisition cost, including costs of bringing property, plant and equipment to a condition suitable for its intended use). The Bank subsequently recognizes property and equipment at their cost less accumulated depreciation and accumulated impairment losses.

At the end of each reporting period (year), the Bank assesses whether there is any indication of impairment of property, plant and equipment in accordance with the requirements of IAS 36, Impairment of Assets. If there is an indication of impairment, the recoverable amount of the asset is

calculated as the higher of the fair value of the property, plant and equipment less costs to sell and the value to be derived from its use. An asset's carrying amount is reduced to its recoverable amount if, and only if, the asset's recoverable amount is less than its carrying amount. The carrying amount is reduced to the asset's recoverable amount and the impairment loss is recognized in profit or loss.

As of the end of the reporting year 2023 and the previous year 2022, there were no signs of impairment of property, plant and equipment, and no impairment calculation was performed.

At the end of each reporting year, during the annual inventory, the useful lives of property, plant and equipment are reviewed and adjusted as appropriate. There were no changes in the useful lives of property, plant and equipment during the reporting year.

Property, plant and equipment and other non-current assets are liquid in case of unsuitability for further use, obsolescence and/or physical wear and tear. Depreciation accrued at 100% of the cost of non-current assets is not a basis for their write-off.

Note 4.15. Intangible assets.

IAS 38 defines *an intangible asset* as a non-monetary asset that has no physical form and can be identified. An asset is identified if it is:

- is separable, that is, it can be detached or separated from the entity and sold, transferred, licensed, leased or exchanged, either individually or together with an associated contract, identifiable asset or liability, whether or not the entity intends to do so, or
- arises from contractual or other legal rights, regardless of whether they are transferable or separable from the entity or from other rights and liabilities.

Accounting for intangible assets will be introduced in accordance with IAS 38 Intangible Assets, the Instruction on Accounting for Property, plant and equipment and Intangible Assets of Ukrainian Banks approved by the Resolution of the Board of the National Bank of Ukraine No. 480 as of 20 December 2005 (as amended) and the Bank's internal regulations.

Acquired (manufactured) intangible assets are recognized in the Bank's balance sheet at cost. The cost of an acquired intangible asset consists of the purchase price (cost) (excluding trade discounts), customs duties, indirect non-refundable taxes and other costs directly attributable to its acquisition and bringing it to a condition suitable for its intended use.

The Bank subsequently recognizes intangible assets at cost less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets range from 5 to 10 years. The Bank has no intangible assets with indefinite useful lives.

At the end of each reporting year, during the annual inventory, the useful lives of intangible assets are reviewed and adjusted as appropriate. There were no changes in the useful lives of intangible assets during the reporting and prior years.

At the end of each reporting period (year), the Bank assesses whether there is any indication of impairment of intangible assets in accordance with the requirements of IAS 36 Impairment of Assets.

As of the end of the reporting year 2023 and the previous year 2022, there were no signs of impairment of intangible assets, and no impairment calculation was performed.

Note 4.16. Operating leases where the Bank acts as a lessor.

In 2022, the Bank acted as a lessor under 5 sublease agreements. Income from these agreements was recognized on balance sheet account 6395.

Note 4.17. Finance leases where the Bank acts as a lessor.

In 2022, the Bank did not provide financial leases under which the Bank is a lessor.

Note 4.18. Operating leases where the Bank acts as a lessor and/or lessee

A lease is a contract under which a lessor transfers to a lessee the right to use an asset for a specified period of time in exchange for consideration.

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Leasing terms are determined by a leasing agreement concluded in accordance with the current legislation of Ukraine.

Lease payments made by the Bank as a lessee under an operating lease are recognized as administrative expenses. If the operating lease agreement allows the lessee to make improvements to the leased asset, the investments made by the lessee are recognized as non-current tangible assets and depreciated over the remaining term of the lease (lease).

Recognition of long-term lease right-of-use assets.

The Bank accounts for leases in accordance with IFRS 16 Leases, the NBU regulations and internal documents on accounting for property, plant and equipment and intangible assets, except for transactions that fall under the following conditions:

- the leased asset is not identified;
- the leased asset is of low value (assets with a cost of USD 5000 or less when new);
- the lessor has a substantial right or option to replace the leased asset;
- the lessor may initiate termination of the lease agreement without paying a fine or compensation;
- the Bank does not receive economic benefits from the use and/or does not fully control the use of the leased asset;
- the lease term is less than or equal to 12 months.

In the current reporting period, the Bank applied the same approaches as described above, namely, recognizing the initial cost of a right-of-use asset in the amount of a recognized liability at the present value of lease payments increased by the amount of advance payments made under the lease agreement and the amount of additional direct costs incurred by the Bank in entering into the lease agreement.

The Bank determines the lease term based on the term of the lease that cannot be terminated early (residual term) and, accordingly, increased/decreased by the periods for which the option to extend or terminate the lease is provided, if it is reasonably certain that the Bank will exercise the option and extend or terminate the lease. In determining the lease term, the Bank applied judgment, taking into account the Bank's strategy for the purpose of retaining certain leased items, plans for opening and closing of the Bank's divisions, the Bank's practice in executing lease agreements and historical data on their retention. The Bank limits the accounting for the option to extend the lease to no more than one term specified in the lease.

Subsequent to the date of initial recognition of a leased asset, the Bank accounts for such assets using the cost model, which is the sum of the asset's initial cost less accumulated depreciation and any accumulated impairment losses. The right-of-use assets are depreciated on a monthly basis over the lease term specified in the contract.

For assets that fall within the scope of the simplifications (exemptions) in IFRS 16 and are therefore not recognized as right-of-use assets, the Bank accounts for the lease payments incurred as lease expenses, as it did before the amendment to IAS 17.

Recognition of long-term lease liabilities.

The Bank discounts the payments for the right to use the asset during the lease term using the interest rate specified in the lease agreement or an incremental borrowing rate.

The interest rate used to calculate the present value of liabilities is calculated by the Bank on a quarterly basis based on the performance indicators for the last calendar month of the reporting quarter, based on the term for which the lease agreement is concluded:

- for lease agreements with a term of up to 24 months, the weighted average cost of the Bank's paid liabilities (term deposits and demand deposits of legal entities and individuals; funds raised in the interbank market; issued savings certificates, etc.) is used as the discount rate;
- for lease agreements with a term exceeding 24 months, the interest rate on funds raised on the terms of subordinated debt is used, determined as the maximum permissible in accordance with the requirements of NBU Resolution No. 592 of 30 December 2010.

The Bank shall also remeasure the lease liability using an unchanged discount rate in such cases:

- changes in the amounts expected to be paid under the residual value guarantee;
- Changes in future lease payments due to changes in an index or rate used to determine such payments;
- temporary changes in fixed lease payments, for example, in the event of unforeseen events.

Note 4.19. Non-current assets held for sale and disposal groups.

The Bank classifies non-current assets as held for sale if the carrying amount of the asset will be recovered through a sale transaction rather than through continuing use.

Non-current assets are classified as held for sale when the following conditions are met at the date of decision to classify them as held for sale: their present condition is suitable for immediate sale and a sale is highly probable within one year from the date of classification. The period of sale of such assets may extend beyond one year if there is evidence that the plan to sell is still feasible or the delay is due to events or circumstances beyond the Bank's control.

Prior to initial classification of assets as held for sale, the bank assesses the carrying amount of assets applicable to this category of assets:

- if non-current assets are carried at cost, the Bank should review them for impairment;
- if non-current assets are carried at revalued amounts (fair value), the Bank must revalue them.

Non-current assets held for sale are measured and reported at the lower of their carrying amount and fair value less costs to sell.

No depreciation is charged on non-current assets held for sale.

Assets are transferred to the category held for sale in accordance with the decision of the Bank's Management Board upon submission of the relevant unit responsible for the purchase and sale of non-current assets. In this case, a sale plan is drawn up that identifies the plan executor, the buyer or measures to identify the buyer, and a list of documents (materials) that need to be prepared for the sale. The prepared materials are submitted to the Bank's Management Board for consideration.

In April 2020, by the Decision of the Bank's Management Board No. 26 of 06 April 2020, 5 objects (3 buildings and 2 land plots) were classified as non-current assets held for sale and are accounted for at cost.

In July 2022, by the Decision of the Bank's Management Board No. 70 of 26 July 2022, 2 objects (2 non-residential premises) were classified as non-current assets held for sale and accounted for at cost

Note 4.20. Depreciation and amortization

Depreciation is the systematic allocation of the depreciable value of property, plant and equipment and intangible assets over their useful lives.

Property, plant and equipment and intangible assets are depreciated over their useful lives, which are determined by the Bank at the time of their initial recognition and reviewed at the end of each reporting year, during the annual stocktaking, and adjusted if necessary.

Depreciation of property, plant and equipment is calculated using the straight-line method based on cost, residual value and useful life, whereby the annual depreciation amount is determined by dividing the depreciable amount by the useful life of the item.

The following useful lives of property, plant and equipment were established:

Buildings, structures	50 years
Vehicles	7 years
Furniture	5 years
Computer equipment	5 years
Machinery and equipment (except computer equipment)	5 years
Tools, appliances, inventory	5 years
Other property, plant and equipment	12 years
Improving the leased premises	until the end of the lease term

Low-value intangible assets are amortized at 100% of their cost in the first month of use. The useful lives of intangible assets range from 5 to 10 years.

Note 4.21. Discontinued operations

The Bank has no business lines that can be classified as discontinued operations.

Note 4.22. Fundraising

The fundraising includes customer deposits, which represent non-derivative financial liabilities to corporate clients and individuals.

All financial liabilities from customer deposits are initially recognized at fair value. The transaction price is the best evidence of the fair value at initial recognition. A gain or loss on initial recognition is recorded only if there is a difference between the transaction price and fair value that can be evidenced by observable current market price for the same instrument. All customer deposits are subsequently measured at amortized cost.

Any interest on deposits is accrued using the effective interest rate method (except for demand deposits).

Note 4.23. Other fundraising.

International financial organizations are a separate segment of clients, with whom the Bank plans to develop cooperation in a number of projects to finance both individual sectors (in particular, agriculture) and the Ukrainian economy as a whole. Thus, among the key projects are the Joint Projects of Ukraine and the European Investment Bank "Senior Loan for SMEs and Mid-Cap Companies" and "Senior Loan for the Agricultural Sector-Ukraine". In accordance with the terms of the Projects, loan funds are channelled through Ukrainian commercial banks to support the development of the private sector, small business and mid-cap projects, as well as social and economic infrastructure projects, including energy efficiency, climate change mitigation and adaptation projects. The Projects are implemented by the Ministry of Finance of Ukraine through the provision of loans to selected participating banks for further financing by these banks of loan projects of their own clients. The funds of the EIB loan may be used by the Ministry of Finance for lending by commercial banks for medium- and long-term investment needs (up to 10 years) and medium-term working capital (from 2 years) of private enterprises, including agricultural enterprises, in Ukraine.

Note 4.24. Bank debt securities issued.

During 2023, the Bank did not issue debt securities.

Note 4.25. Subordinated debt

The Bank has obtained permits from the National Bank of Ukraine to include funds raised under subordinated debt in the Bank's capital.

Note 4.26. Income tax

The current income tax charge is determined in accordance with the Ukrainian tax regulations. Income tax expense in the financial statements consists of current tax and changes in deferred tax.

Income tax expense is recognized in net income, except to the extent that it is recognized directly in other comprehensive income.

Deferred taxes are provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted

or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the recognized deferred tax assets can be utilized.

In 2022, the corporate income tax rate was 18%. In 2023, the income tax rate was 50%.

Since BANK ALLIANCE JSC did not have any discontinued operations in the reporting year, the amount of income tax related to the profit (loss) from such operations was not calculated in the reporting year.

Note 4.27. Share capital and share premium.

The ordinary shares are presented in equity. The Bank did not receive any share premium. The Bank has not issued any options, warrants or other financial instruments that give the holder the right to acquire ordinary shares.

Note 4.28. Preference shares

The Bank has not issued any preferred shares. The Bank has not entered into any agreements on the issue of shares subject to certain conditions.

Note 4.29. Treasury shares

In the reporting and previous years, the Bank did not decide to repurchase its own shares from shareholders.

Note 4.30. Dividends

In the reporting and previous years, the Bank did not declare or pay dividends.

Note 4.31. Recognition of income and expenses

The Bank's income is an increase in economic benefits during the reporting period in the form of inflows or improvements to assets or a decrease in liabilities resulting in an increase in equity (except for increases attributable to contributions from participants). Income includes only gross inflows of economic benefits received or to be received by the Bank for its own account. Amounts collected on behalf of third parties (such as sales tax, goods and services tax and value added tax) are not economic benefits attributable to the Bank and do not result in an increase in equity. Therefore, they are excluded from income.

The Bank's expenses are a decrease in economic benefits during the accounting period in the form of disposal or depreciation of assets or incurrence of liabilities that result in a decrease in equity (except for a decrease in equity resulting from its withdrawal or distribution by owners), provided that the costs can be measured reliably.

In recognizing income and expenses, the Bank is guided by the accrual basis of accounting, i.e., income and expenses are recognized in the accounting and financial statements when they occur, regardless of the date of receipt or payment of funds.

Income (expense) is recognized in the accounting records at the fair value of the assets received (paid) or to be received (paid).

Income and expenses are recognized in the period which they relate, provided that:

- recognition of real debt on the Bank's assets and liabilities;
- revenues and expenses can be reliably measured and defined.

The criteria for recognizing income and expenses are applied separately to each transaction and are recognized for each type of income and expense separately. Income and expenses arising from a transaction are determined by an agreement between the parties thereto or by documents executed in accordance with the requirements of the applicable laws of Ukraine.

Expenditures for the acquisition and creation of an asset that cannot be recognized as an asset are recognized as expenses.

Fees and commissions that are an integral part of the income (expense) of a financial instrument are recognized as interest income (expense) on the financial instrument.

For financial instruments denominated in foreign currency, income and expenses are accrued in the currency of the underlying asset (liability).

Income and expenses (accrued, received, paid) in foreign currency are recorded on income (expense) accounts in the national currency at the official exchange rates of the Hryvnia to foreign currencies at the date of their recognition.

Income and expenses, depending on the accounting models for certain banking operations defined by the Bank's internal documents, are accounted for either directly in the income (expense) accounts of the Chart of Accounts of Ukrainian Banks approved by Resolution of the Board of the National Bank of Ukraine No. 89 of 11 September 2017, as amended (hereinafter as the Chart of Accounts), or using transit accounts with subsequent recognition in the income (expense) accounts. If the Bank has received income (incurred expenses) for services to be provided (received) in future reporting periods, such income (expenses) are not included in the financial result of the reporting period, but are accounted for as assets (liabilities) with the amount of income and expenses relating to the reporting period recognized on a monthly basis.

Revenues and expenses from operating activities consists of:

- interest income and expenses,
- commission income and expenses;
- gains (losses) from trading operations;
- income in the form of dividends;
- expenses for the formation of Bank special reserves;
- income from the recovery of previously written-off assets;
- other operating income and expenses;
- general administrative expenses;
- income tax.

The Bank investing activities result in the recognition of:

- income (expenses) from the sale (purchase) of property, plant and equipment and intangible assets;
- income (expenses) from the sale (acquisition) of investment property;
- income (expenses) from the sale of investments in subsidiaries and associates, etc.

The Bank financing activities result in the recognition of:

- income (expenses) from transactions with own debt securities;

- income (expense) on subordinated debt;
- dividends paid during the reporting period;
- income arising from the issuance of equity instruments, etc.

Interest income (expense) on deposits or on loans is recognized using the effective interest rate method.

For financial instruments for which future cash flows cannot be estimated (overdrafts, revolving credit lines, demand deposits) and for which the effective interest rate is not applicable, the Bank uses the nominal interest rate to recognize interest income.

The discount (premium) on financial instruments is amortised together with any interest accrued, except for interest on debt financial instruments at fair value through profit or loss, which is recognized as part of the fair value through profit or loss.

To calculate the effective interest rate, the cash flows are determined taking into account all terms of the contractual terms of the financial instrument, including all fees and other amounts paid or received by the parties that are an integral part of the income (expense) of the financial instrument. If it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the cash flows stipulated by the relevant contract during the term of the contract are used.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument include:

- fees for preparatory work received by the Bank in connection with the creation or acquisition of a financial asset, which include: fees for assessing the financial condition of the borrower; fees for evaluating guarantees, collateral; fees for negotiating the terms of the instrument; fees for preparing, processing documents and completing the transaction, etc;
- fees received (paid) by the bank for a loan commitment (credit line provisioning) at the time of loan initiation (unless these loan Liabilities are measured at fair value through profit or loss) are recognized as an integral part of the income (expense) of the financial instrument if it is probable that the loan agreement will be concluded. If a loan commitment expires without a loan being drawn down, the fees are recognized as fee and commission income (expense) at the end of the commitment period;
- other fees and commissions that are an integral part of the income (expense) of a financial instrument.

Fees and commissions that are not an integral part of the effective interest rate:

loan transaction costs:

- fees for lending liabilities (unless these lending liabilities are measured at fair value through profit or loss) if it is unlikely that a loan agreement will be entered into;
- loan syndication fees received by a bank that acts as an organizer of a syndicated loan and is not one of the lenders (or is one of the lenders but receives the same effective rate on its part of the syndicated loan as the other participants, provided that it bears the same risks as the other participants).

The Bank takes initially expected credit losses into account in cash flows when calculating the credit risk-adjusted effective interest rate for purchased or originated impaired financial assets on initial recognition.

If the Bank subsequently revises its estimates of payments and receipts (other than modifications and changes in ECL estimates) on financial instruments, it shall adjust the gross carrying amount of the financial asset or amortized cost of the financial liability to reflect the actual and revised estimates.

The Bank recalculates the gross carrying amount of a financial asset or amortized cost of a financial liability by calculating the present value of future contractual cash flows discounted at the financial instrument's original effective interest rate (for purchased or originated credit-impaired financial assets, using the effective interest rate adjusted for credit risk). The adjustment is recognized in interest income/expense in correspondence with the discount/premium accounts.

The Bank recognizes interest income on financial assets at the first and second level of credit risk (impairment allowance recognized for the 1st and 2nd stage of impairment) on the gross carrying amount of such assets using the original effective interest rate.

The Bank recognizes interest income on financial assets in the third level of impairment (allowance for impairment at stage 3) on the amortized cost (reduced by the amount of the allowance) of such assets using the effective interest rate.

For loans granted under a non-revolving credit line, the effective interest rate is calculated for each individual loan (tranche) at the time of initial recognition of such loan (tranche).

Discounts (premiums) on financial instruments are recorded in the currency in which the related financial instrument is accounted for.

The following methods of determining the number of days are used to accrue interest income and losses:

- the "fact/fact" method - the actual number of days in a month and year is used for calculation;
- the "actual/360" method - the actual number of days in a month is used for the calculation, but conditionally 360 days in a year;
- 30/360 method - the calculation uses the conditional number of days in a month - 30, in a year - 360.

Decisions on the application of the settlement method for certain transactions are made by the Bank's authorized body and are recorded in the agreements concluded with counterparties.

If necessary, the Bank may apply other methods for certain financial instruments other than the above if they are specified in the agreement between the parties to the transaction or the terms of issue of these instruments (debt securities, certificates of deposit, treasury bills, etc.).

Interest income/expense is accrued at least once a month for a full calendar month, unless another billing period is provided for by the terms of the agreement. Interest is accrued on loan transactions in national currency using the "fact/fact" method (for loans with repayment under the classic scheme) and the "30/360" method (for loans with repayment under the annuity scheme), unless otherwise provided by the terms of the agreements.

Interest on loan transactions in foreign currency is accrued on an actual/actual basis (the actual number of days in a month and year is used for calculation, unless otherwise provided by the terms of the agreements).

Interest on deposit transactions in national and foreign currencies is accrued on an actual/actual basis (the actual number of days in a month and year is used for calculation), unless otherwise provided by the terms of the agreements.

In other cases, the method of determining the number of days in a month and year is determined by the terms of the agreements between the parties.

When calculating interest for the use of the Client's funds under the bank deposit agreement, the Bank shall not take into account the day of crediting funds to the account and the day of transferring funds from the account, unless otherwise provided by the terms and conditions of the bank deposit agreement.

When calculating interest on loans, the first day of the loan disbursement is taken into account and the last day of the loan use is not taken into account.

The amount of interest rates, terms, procedure of their calculation and payment are stipulated by agreements with the Bank's counterparties. Interest rates are set in accordance with the decision of the Assets and Liabilities Management Committee or other authorized collegial body (Credit Committee).

Debt on accrued income is considered overdue from the day following the date when such debt was due but not paid in accordance with the terms of the agreement.

Interest income charged on the overdue principal amount is overdue from the date it is charged and is recorded on the respective analytical accounts of accrued interest income.

Dividends are recognized in the period in which they are declared.

Criteria for terminating the accrual of income and its subsequent accounting.

Income on a financial asset is discontinued when one of the following conditions is met:

- expiration of the contract;
- the cost of the loan (principal, accrued interest, unamortized premium (discount)), less recognized impairment, is zero.

Income accrual on balance sheet accounts is discontinued in cases provided for by applicable law and provided that the Bank has relevant documents evidencing the occurrence of the following circumstances, in particular:

- termination of liabilities under the contract in connection with the liquidation of a legal entity
- on loans and other liabilities of legal entities that are liquidated without bankruptcy proceedings;
- from the date the debtor is declared bankrupt and the liquidation procedure is initiated (in accordance with the Law of Ukraine *On Restoring Debtor's Solvency or Declaring Bankruptcy*) - for loans and other liabilities of legal entities;
- from the date of death of the debtor-individual (a duly certified copy of the death certificate);
- from the date of the NBU's decision to revoke the bank's license and appoint a bank liquidator (in accordance with the Law of Ukraine *On Banks and Banking Activities*) - for interbank loans;

- from the date of entry into force of the court decision on termination of the loan agreement or its invalidation;
- from the date of the borrower's service in the territory of the anti-terrorist operation until the end of the special period by the Presidential Decree.

The decision not to accrue income is made by the Bank Credit Committee.

Recognition of income and expenses paid or received as penalties/fines (fines).

A forfeit/fine (penalty) is a sum of money or other property that the debtor must transfer to the creditor in case of a breach of the obligation.

Unless otherwise provided by the agreement, the amount of the fine shall be calculated as a percentage of the amount of the unfulfilled or improperly fulfilled obligation.

The penalty is calculated as a percentage of the amount of the untimely fulfilled monetary obligation for each day of delay, starting from the first day following the last day of payment of the debt in accordance with the terms of the agreement. Unless otherwise provided for in the agreement, the amount of the penalty shall be paid in the amount of double the NBU discount rate of the amount of delay for each day of delay.

The penalty is calculated on the balance of the outstanding debt until the borrower fully repays the overdue debt on an actual/actual basis, excluding the day of repayment of such debt. The calculation of penalties is terminated in the following cases:

- termination of the agreement in court or invalidation of the agreement (from the date specified in the court decision), unless otherwise specified in the court decision;
- from the date of the commercial court's decision to declare the debtor bankrupt and open the liquidation procedure.

Also, no penalties are calculated:

- upon receipt of confirmed information on granting the borrower the status of a temporarily displaced person (for the period of validity of the said status) in accordance with the current legislation of Ukraine;
- from the date of commencement to the end of the special period and the borrower's service in the territory of the anti-terrorist operation (for the period of service) in accordance with the current legislation of Ukraine;
- from the date of death of the individual borrower.

Fines and penalties are recognized when they are paid and are not recognized in accrued income or expense.

In case of filing lawsuits to recover principal and interest from the debtor, the Bank includes in such lawsuit the amount of fines and penalties calculated as of the date of filing the lawsuit, taking into account the limitation periods established in accordance with the terms of the agreements and/or applicable law.

In any case, the bank may refuse to collect the penalty from the borrower by decision of the relevant authorized management body.

In accounting for income and expenses, the Bank is guided by the laws of Ukraine, regulations of the NBU, in particular, the Rules for Accounting for Income and Expenses approved

by the Resolution of the Board of the National Bank of Ukraine No. 17 of 27 February 2018, IFRS, this Regulation on Accounting Policy and other internal documents of the Bank regulating the accounting for income and expenses.

Note 4.32. Foreign currency translation

The functional and presentation currency is the Ukrainian Hryvnia.

The amounts of assets and liabilities denominated in foreign currencies are translated into UAH equivalents as follows:

- monetary items in foreign currency - using the official NBU exchange rate at the end of the reporting period;
- non-monetary items measured at historical cost in a foreign currency - using the official NBU exchange rate at the date of the transaction;
- non-monetary items measured at fair value in a foreign currency - using the official exchange rate of the NBU at the date when the fair value was determined.

Foreign exchange differences arising on monetary items are recognized in the income statement (line item "Foreign currency gain/loss") in the period in which they arise.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign currency component of that gain or loss is recognized directly in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognized in profit or loss, any foreign currency component of that gain or loss is recognized in profit or loss.

Note 4.33. Offsetting of assets and liabilities

Financial assets and financial liabilities are offset on the Bank's balance sheet when there is a legally enforceable right to set off the recognized amounts and the Bank intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In the reporting and previous years, the Bank did not offset assets and liabilities.

Note 4.34. Assets held in trust management

In the reporting and previous years, the Bank did not have any trust management agreements in place.

Note 4.35: Inflation effects accounting.

In the reporting and previous years, the Bank did not account for the impact of inflation.

Note 4.36. Employee benefits and related taxes

The Bank's employees receive a basic salary, additional salary, and other incentive and compensation payments.

The basic salary fund includes the basic salary of the Bank's employees - remuneration for work performed in accordance with the salary fixed in the staffing table (official salary).

The additional salary fund includes additional salary - remuneration for work in excess of the established norms, for labor success:

- bonuses and additional payments to salaries in the amounts stipulated by applicable law for performing the duties of a temporarily absent employee;

- for combining professions (positions) - employees receive remuneration for the work actually performed (set by agreement of the parties, taking into account the content and/or scope of additional work);
- bonuses related to the performance of official/production tasks and functions paid in accordance with the procedure established by the Bank under special bonus systems;
- payment for unworked time - granting annual basic and additional vacations,
- amounts of monetary compensation in case of non-use of annual leave and additional leave for employees with children in the amounts provided for by law.

Other incentive and compensation payments include payments in the form of remuneration based on the results of work for the year, compensation and other material payments that are not provided for by applicable laws or that are made in excess of the standards established by these laws. The Group also makes payments from the state social insurance funds: temporary disability benefits and maternity benefits.

The Bank's employees are paid in accordance with the staffing tables. Payment of the established salary depends on the employee's fulfillment of the monthly working hours. The amount of actual salary is determined in proportion to the time worked in the reporting period.

Simultaneously with the payment of salaries, the Bank withholds from salaries and transfers the amount of withheld taxes and contributions to the budget and the relevant funds.

Personal income tax and military duty are withheld in accordance with the Tax Code of Ukraine No. 2755 of 02 December 2010 Single social contribution is withheld in accordance with the Law of Ukraine No. 2464-VI of 08 July 2010 *On Collection and Accounting of Single Contribution for Obligatory State Social Insurance*.

All deductions from wages, except for those established by applicable law, are made at the written request of the employee.

In its accounting records, the Bank provides for vacation pay in accordance with the requirements of Ukrainian legislation and the Bank's accounting policy, which complies with the requirements of IAS 19, Employee Benefits. Provision is also made for the amount of unified social tax accruals for vacation pay.

Note 4.37. Information on operating segments

Operating segment is a component of the Bank that engages in business activities (from which it may earn revenues and incur expenses) and whose operating results are regularly reviewed by management to make decisions about resources to be allocated within the Bank and to assess performance.

The principle of the Bank's operating segments is to separate information about a part of the Bank's business that may earn economic benefits and incur expenses. Operating segments are identified based on the management reporting system.

The Bank recognizes the following operating segments:

- services to corporate clients, a business entities of all forms of ownership (except for banking institutions)
- services to individuals
- transactions with other banks

- investment banking: securities transactions.

Reportable segment income is income directly attributable to a segment and the relevant part of the Bank's income that can be allocated to a segment from external activities or from transactions between other segments. Reportable segment expenses are expenses that are directly attributable to a segment's operating activities and the relevant portion of expenses that can be allocated on a reasonable basis to a segment. Segment result is segment income less segment expenses.

Note 4.38. Related parties disclosure

In accordance with the requirements of Article 52 of the Law of Ukraine *On Banks and Banking Activities*, the Bank's related parties are:

- controllers of the Bank;
- persons who have a significant interest in the Bank and persons through whom these persons indirectly hold a significant interest in the Bank;
- the Bank's managers, the Head of Internal Audit, managers and members of the Bank's committees;
- related and affiliated persons of the Bank, including members of the Banking Group;
- persons who have a significant interest in the Bank's related and affiliated entities;
- heads of legal entities and heads of banks that are related and affiliated entities of the Bank, the head of the internal audit service, heads and members of committees of these entities;
- associates of the individuals referred to in clauses 1-6;
- legal entities in which the individuals referred to in this part are directors or owners of significant participation;
- any person through whom a transaction is conducted in the interests of the persons referred to in this part and who is influenced by the persons referred to in this part during the conduct of such a transaction through labor, civil and other relations.

As at 31 December 2023, the number of the Bank's related parties amounted to 222 persons, including 28 legal entities and 194 individuals. Information on the management personnel belonging to the Bank's related parties is provided in the Management Report of BANK ALLIANCE JSC (Management Report). Information on transactions with related parties is disclosed in Note 40 Related Party Transactions.

When entering into transactions with related parties, the Bank may not provide for terms that are not current market conditions. Transactions concluded by the Bank with related parties on terms that are not current market conditions are recognized as invalid from the moment of their conclusion.

Note 4.39. Changes in accounting policies, accounting estimates, correction of material errors and their presentation in the financial statements

The Bank applies accounting policies consistently to similar items of financial statements. *Accounting policies may be changed* in two cases:

- if a new standard requires it;
- If the change would result in more reliable and/or relevant information about the effects of transactions, other events or conditions on financial position, financial

performance or cash flows.

A change in accounting policy is applied retrospectively. An exception (prospective application) is only permitted if the transitional provisions of a new standard or interpretation require it. Retrospective application of an accounting policy means applying new principles, rules, accounting and disclosure standards to previous (comparative) periods. It is not considered a change in accounting policy to apply an accounting policy to transactions, other events or conditions that are substantially different from those that occurred earlier, did not occur earlier or were immaterial.

A change in an accounting estimate is an adjustment to the carrying amount of an asset or liability because of a revision of expected future benefits or costs. Estimates are subject to revision as a result of changes in the circumstances on which they were based or new information becomes available. Revisions to accounting estimates are made prospectively and do not affect the amounts reported for prior periods. A change in an accounting estimate is recognized by adjusting the carrying amount of the asset or liability and the result is recognized in the income statement for the reporting period.

In case of ***detection of material errors*** of the previous period, the Bank corrects them by retrospective restatement. Exceptions are cases when it is impossible to determine the effect of an error on a particular period or its cumulative effect (in which case the Bank restates the corresponding item of assets, liabilities or equity at the beginning of the earliest period for which retrospective restatement is permissible).

During the reporting year 2023, there were no changes in accounting policies, accounting estimates, or material errors.

Note 4.40. Critical accounting judgments and estimates and their impact on the recognition of assets and liabilities.

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments and estimates that have the most significant effect on the financial statements include:

- impairment of loans to borrowers and assessment of expected credit losses;
- impairment losses on other assets and estimation of expected losses.

Significant judgments required in applying the accounting requirements for estimating expected credit losses include:

- determining the criteria for a significant increase in credit risk;
- selecting appropriate models and assumptions for estimating expected credit losses;
- determination of the number and relative weight of forecast scenarios for each type of product/market and the corresponding expected credit losses;
- identifying groups of similar financial assets for the purpose of estimating expected credit losses.

Note 5. New and revised standards not yet effective

In the current year, a number of amendments to IFRS standards and interpretations issued by the IASB became effective and mandatory for the period beginning on or after 1 January 2023. The Bank has adopted all of the following new and revised standards and interpretations, as well as amendments thereto, in the part relevant to the Bank's operations, and such changes did not have a material impact on the Bank:

1. Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023). IAS 1 has been amended to require entities to disclose information about their significant accounting policies, rather than their principal accounting policies. The amendment provided a definition of significant accounting policies. The amendment also clarified that accounting policy information is material if, without it, users of financial statements would not be able to understand other material information in the financial statements. In addition, the amendment clarified that immaterial accounting policies do not need to be disclosed. However, if it is disclosed, it should not obscure material accounting policies.

2. Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023). The amendment to IFRS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates.

3. Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 7, 2021 and effective for annual periods beginning on or after January 1, 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning liabilities. In certain circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning liabilities, which are transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require entities to recognize deferred tax on transactions that, on initial recognition, result in the same amount of taxable and deductible temporary differences.

4. Amendments to IAS 12 Income Taxes: International Tax Reform—Pillar Two Model Rules (issued on May 23, 2023). In May 2023, the IASB issued narrow scope amendments to IAS 12 Income Taxes. This amendment was made in response to the imminent introduction of the second level model rules published by the Organization for Economic Cooperation and Development (OECD) as a result of international tax reform. The amendments provide a temporary exemption from the requirement to recognize and disclose deferred taxes arising from tax laws that are enacted or substantively enacted by the end of the year that implement the second level model rules. According to the IASB's effective date, entities may apply the exemption immediately, but the disclosure requirements are required for annual periods beginning on or after January 1, 2023.

5. IFRS 17 Insurance Contracts (issued on May 18, 2017 and effective for annual periods beginning on or after January 1, 2023). IFRS 17 replaces IFRS 4, which gives entities the option to account for insurance contracts using existing practice. These amendments did not have any impact

on the Bank's financial statements as the Bank is not an insurance entity and does not typically use long-term insurance contracts in its business activities.

6. Amendments to IFRS 17 and Amendments to IFRS 4 (issued on June 25, 2020 and effective for annual periods beginning on or after January 1, 2023). The amendments include a number of clarifications aimed at facilitating the implementation of IFRS 17, simplifying some of the standard's requirements and transition. The amendments cover eight sections of IFRS 17 and are not intended to change the fundamental principles of the standard. These amendments did not have any impact on the Bank's financial statements as the Bank is not an insurance entity.

IAS 8.30 requires entities to disclose in their financial statements information about standards that are in issue but not yet effective and known or reasonably practicable information that enables users to evaluate the likely effect of the application of those standards on the entity's financial statements. The information is provided below.

<i>New standards, amendments and interpretations issued, but not yet effective, up to the date of issuance of the Bank's financial statements</i>	<i>Date of entry into force</i>
<p>Amendments to IAS 1 - Classification of Liabilities as Current or Non-current</p> <p>Clarifies that the assessment of whether a liability should be classified as non-current or current should be made at the balance sheet date based on the rights that the entity has to exercise those rights, but should not take into account the intention, i.e. whether the entity will exercise those rights.</p>	January 1, 2024
<p>Amendments to IFRS 16 Lease Liability in a Sale and Leaseback</p> <p>The amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback in a manner that does not recognize a gain or loss related to a retained right of use.</p>	January 1, 2024
<p>Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements</p> <p>The amendments require disclosures about an entity's financing arrangements with its suppliers and its financing arrangements with those suppliers to enable users of financial statements to evaluate the effects of those arrangements on the entity's liabilities and cash flows and its exposure to liquidity risk. The amendments do not affect the principles of recognition and measurement, but introduce additional disclosure requirements.</p>	January 1, 2024
<p>Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability</p> <p>The amendments to IAS 21 are intended to make it easier for entities to determine the exchangeability between two currencies and to determine the spot rate of exchange when the currency is not readily available for exchange. The amendments apply to entities that enter into transactions in a foreign currency that is not readily exchanged at the measurement date or for a specific purpose and clarify how to determine the spot exchange rate in the absence of an exchange.</p>	January 1, 2025
<p>Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</p> <p>The amendments address the inconsistencies between IFRS 10 and IAS 28 in accounting for the loss of control of a subsidiary that is sold to or contributed to an associate or joint venture</p>	Postponed indefinitely

The Bank has not yet adopted these new or revised standards and interpretations in advance of their mandatory application. Management does not anticipate that the adoption of the standards, amendments and interpretations listed above will have a material impact on the Bank's financial statements in future periods.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

<i>In thousands of hryvnias</i>	Dec 31, 2023	Dec 31, 2022
Cash	568 727	127 014
Placements with the National Bank of Ukraine (excluding mandatory reserves)	176 115	1 180
Placements on correspondent accounts with banks:	1 436 842	992 660
<i>of Ukraine</i>	328 075	429 147
<i>Other countries</i>	1 108 767	563 513
Total cash and cash equivalents before provisions	2 181 684	1 120 854
Allowance for impairment of balances on correspondent accounts with Ukrainian banks	(89 949)	(71 356)
Total cash and cash equivalents less provisions	2 091 735	1 049 498

As at the end of the reporting year 2023 and the previous year 2022, the item "Cash and cash equivalents" includes cash on hand and funds on correspondent accounts with other banks (including the correspondent account with the National Bank of Ukraine). During 2023 and the previous year 2022, the Bank did not carry out investment and financial transactions without the use of cash and cash equivalents.

The disclosures in Note 6 are included in the Statement of Financial Position (Balance Sheet), Statement of Cash Flows and Note 23.

Note 7. Loans and advances to customers

Table 7.1. Loans and advances to customers

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Loans granted to legal entities for current operations	4 499 117	5 082 048
Claims acquired under factoring transactions	25 865	25 865
Loans granted under repurchase agreements to economic entities	-	213 551
Finance leases (rent) granted to business entities	38 477	-
Mortgage loans to business entities	117	3 801
Loans to individuals for current needs	127 986	13 608
Mortgage loans to individuals	67 619	68 427
Total loans	4 759 181	5 407 300
Allowance for loan impairment	(1 127 436)	(947 915)
Total loans less allowances	3 631 745	4 459 385

The disclosures in Note 7 are included in the Statement of Financial Position (Balance Sheet), the Statement of Cash Flows and Note 23.

The total of Note 7, Loans and advances to customers, as at 01 January 2024 is stated net of the posted guarantee coverage of UAH 90 278 thousand, including UAH 4 337 thousand provision (2022: UAH 60 637 thousand, including UAH 2 995 thousand provision).

Table 7.2. Analysis of changes in loan loss provisions for 2023

<i>In thousands of hryvnias</i>	Loans to legal entities	Loans to individuals	Total
Balance as at December 31, 2022	(920 646)	(27 269)	(947 915)
(Increase)/decrease in allowance for impairment during the period	(228 659)	(21 280)	(249 939)
Write-off of loans against provisions	70 418	-	70 418
Balance as at December 31, 2023	(1 078 887)	(48 549)	(1 127 436)

Table 7.3. Analysis of changes in loan loss provisions for 2022

<i>In thousands of UAH</i>	Loans to legal entities	Loans to individuals	Total
Balance as at December 31, 2021	(426 678)	(29 392)	(456 070)
(Increase)/decrease in allowance for impairment during the period	(504 158)	2 111	(502 047)
Write-off of loans against provisions	10 190	12	10 202
Balance as of December 31, 2022	(920 646)	(27 269)	(947 915)

Table 7.4. Structure of loans by type of economic activity

(UAH thousand)

Type of economic activity	31 December 2023		31 December 2022	
	amount	%	amount	%
Wholesale trade, except for motor vehicles and motorcycles	2 149 864	45.17	2 216 708	40.99
Agriculture	1 072 090	22.53	1 283 143	23.73
Supply of electricity, gas, steam and air conditioning	541 943	11.39	616 429	11.40
Manufacture of machinery and equipment	112 046	2.35	118 366	2.19
Food production	103 443	2.17	131 743	2.44
Rent, hire and leasing	79 431	1.67	117 221	2.17
Provision of financial services	73 955	1.56	111 932	2.07
Warehousing and transportation support activities	59 347	1.25	116 061	2.15
Manufacture of fabricated metal products, except machinery and equipment	58 516	1.23	62 287	1.15
Healthcare	58 051	1.22	59 692	1.10
Extraction of other minerals and quarrying	46 233	0.97	142 076	2.63
Clothing production	44 906	0.94	36 484	0.67
Construction of buildings, specialized construction works	31 474	0.66	74 457	1.38
Air transportation	21 270	0.45	117 573	2.17
Other	111 006	2.33	121 093	2.24

Type of economic activity	31 December 2023		31 December 2022	
	amount	%	amount	%
Individuals	195 605	4.11	82 035	1.52
Total Loans and advances to customers without provisions	4 759 181	100.00	5 407 300	100.00

The Bank minimizes the risk of loan portfolio concentration (concentration of lending operations in a particular industry or group of interrelated industries or lending to certain categories of clients) by diversifying the loan portfolio, which consists in distributing loans among borrowers that differ from each other both in terms of characteristics (capital, ownership) and business conditions (industry, geographical oblast).

Table 7.5. Breakdown of loans by type of collateral in 2023

<i>In thousands of UAH</i>	Loans to legal entities	Loans to individuals	Total
Unsecured loans	1 549 570	127 108	1 676 678
Secured loans:	3 014 006	68 497	3 082 503
in cash	417 713	4	417 717
real estate	786 311	67 619	853 930
<i>including residential use</i>	<i>139 498</i>	<i>62 226</i>	<i>201 724</i>
guarantees and sureties	9 574	-	9 574
other assets	1 800 408	874	1 801 282
Total Loans and advances to customers	4 563 576	195 605	4 759 181

Table 7.6. Breakdown of loans by type of collateral in 2022

<i>In thousands of UAH</i>	Loans to legal entities	Loans to individuals	Total
Unsecured loans	1 748 413	11 522	1 759 935
Secured loans:	3 576 852	70 513	3 647 365
in cash	368 221	-	368 221
real estate	968 700	68 541	1 037 241
<i>including residential use</i>	<i>99 234</i>	<i>57 961</i>	<i>157 195</i>
guarantees and sureties	55 228	107	55 335
other assets	2 184 703	1 865	2 186 568
Total Loans and advances to customers	5 325 265	82 035	5 407 300

The Bank determines the market value of collateral in the form of pledges of real estate, vehicles, objects in the form of an integral property complex, equipment, biological assets, property rights to real estate, products, goods, future harvest, livestock based on the valuation of such property by a valuation entity (conducted at least once a year). In accordance with the requirements of internal regulations, the market value of collateral in the form of cash deposits is accepted as their nominal value; securities - the market value determined by the securities division is determined as the current fair value of securities included in the stock exchange register for securities traded on stock exchanges. The Bank determines the value of collateral before entering into a loan agreement. If there have been significant changes in the operating conditions and physical condition of the

collateral and/or the market for such property since the last valuation, the Bank shall revalue such property regardless of the terms of the loan agreement and/or the pledge agreement.

The Bank determines the expected cash flows from the sale of pledged collateral by taking into account future cash flows consisting of the amount of expected payments from the sale of collateral under the relevant agreement (regardless of the probability of foreclosure), taking into account the time required to realize the collateral.

The Bank makes a preliminary estimate of future cash flows under the contract in accordance with the procedure established by the relevant internal regulations developed in accordance with the requirements of international financial reporting standards. Estimated future cash flows from the sale of collateral are reduced by the amount of costs of its sale.

The total amount of undiscounted future cash flows, including cash flows from the sale of collateral, may not exceed the amount of payments stipulated in the loan agreement.

The future cash flows from the collateral are discounted to take into account the time required for the bank to realize the collateral.

Table 7.7. Analysis of credit quality of loans for 2023

<i>In thousands of UAH</i>	Loans to legal entities	Loans to individuals	Total
Neither past due nor impaired:	2 195 434	132 563	2 327 997
borrowers with a credit history of more than two years	1 017 288	-	1 017 288
new large borrowers	31 120	-	31 120
borrowers with a credit history of up to two years	1 147 026	-	1 147 026
Past due but not impaired	1 268 945	4 618	1 273 563
with a payment delay of up to 31 days	962 957	2 699	965 656
with a payment delay of 32 to 92 days	305 988	1 919	307 907
Impaired loans assessed on an individual basis:	1 099 197	58 424	1 157 621
with a payment delay of up to 31 days	207 098	3 169	210 267
with a payment delay of 32 to 92 days	42 729	1 492	44 221
with a payment delay of 93 to 183 days	162 944	2 369	165 313
with a delay in payment from 184 to 365 (366)	199 586	17 984	217 570
with a payment delay of more than 366 (367) days	486 840	33 410	520 250
Total gross loans before provisions	4 563 575	195 605	4 759 181
Allowance for loan impairment	(1 078 887)	(48 549)	(1 127 436)
Total loans less allowances	3 484 688	147 056	3 631 745

Table 7.8. Analysis of credit quality of loans for 2022

<i>In thousands of hryvnias</i>	Loans to legal entities	Loans to individuals	Total
Neither past due nor impaired:	3 119 011	31 725	3 150 736
borrowers with a credit history of more than two years	1 127 052	-	1 127 052
new large borrowers	436 032	-	436 032
borrowers with a credit history of up to two years	1 555 927	-	1 555 927
Past due but not impaired	1 327 159	105	1 327 264
with a payment delay of up to 31 days	565 130	105	565 235
with a payment delay of 32 to 92 days	762 029	-	762 029
Impaired loans assessed on an individual basis:	879 095	50 205	929 300
with a payment delay of up to 31 days	293 174	19 968	313 142
with a payment delay of 32 to 92 days	46 664	23 653	70 317
with a payment delay of 93 to 183 days	326 078	47	326 125
with a delay in payment from 184 to 365 (366) days	208 841	1 433	210 274
with a payment delay of more than 366 (367) days	4 338	5 104	9 442
Total gross loans before provisions	5 325 265	82 035	5 407 300
Allowance for loan impairment	(920 646)	(27 269)	(947 915)
Total loans less allowances	4 404 619	54 766	4 459 385

Table 7.9. Loans and provisions for loans under the three-stage impairment model as at 31 December 2023

<i>In thousands of hryvnias</i>	Impairment model STAGE 1	Impairment model STAGE 2	Impairment model STAGE 3
Loans payable	650 442	3 197 041	911 698
Allowances for loan impairment	(18 110)	(343 945)	(765 381)
Total loans less allowances	632 332	2 853 096	146 317

Table 7.10. Debt and loan provisions under the three-stage impairment model as at 31 December 2022

<i>In thousands of UAH</i>	Impairment model STAGE 1	Impairment model STAGE 2	Impairment model STAGE 3
Loans payable	917 244	3 697 700	792 356
Allowances for loan impairment	(25 834)	(301 919)	(620 162)
Total loans less allowances	891 410	3 395 781	172 194

Note 8: Investments in financial instruments**Table 8.1.** Financial instruments carried at amortized cost

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Ukrainian domestic government bonds (OVDPs)	3 390 561	2 929 690
Debt securities - corporate bonds	27 348	27 348
Deposit certificates issued by the NBU	1 101 356	841 059
Provision for impairment of financial instruments	(27 348)	(27 348)
Total financial instruments, net of provisions	4 491 917	3 770 749

Table 8.2. Financial instruments at fair value through profit or loss

<i>In thousands of hryvnias</i>	Dec 31, 2023	Dec 31, 2022
Ukrainian domestic government bonds (OVDPs)	1 597 626	256 023
Shares	183	119
Provision for impairment of financial instruments	-	-
Total financial instruments, net of provisions	1 597 809	256 142

Table 8.3. Analysis of credit quality of financial instruments

<i>In thousands of hryvnias</i>	Dec 31, 2023	Dec 31, 2022
Impaired debt securities that are individually assessed for impairment	27 348	27 348
Provision for impairment of financial instruments	(27 348)	(27 348)
Total impaired financial instruments, less allowances	-	-

Table 8.4. Provisions for impaired financial instruments under the three-stage impairment model as at 31 December 2023

<i>In thousands of UAH</i>	Impairment model STAGE 1	Impairment model STAGE 2	Impairment model STAGE 3
Debt securities outstanding	-	-	27 348
Provisions for debt securities	-	-	(27 348)
Total	-	-	-

Table 8.5. Provisions for impaired financial instruments under the three-stage impairment model as at 31 December 2022

<i>In thousands of UAH</i>	Impairment model STAGE 1	Impairment model STAGE 2	Impairment model STAGE 3
Debt securities outstanding	-	-	27 348
Provisions for debt securities	-	-	(27 348)
Total	-	-	-

During 2023 and the previous year 2022, the accounts of debt securities (in the portfolio of

securities carried at amortized cost) included discount registered bonds (series A) of NAVIUM LLC of 2 486 188 pieces with a nominal value of UAH 11,00 per bond. The Bank recognized an impairment of 100% of these securities.

The disclosures in Note 8 are included in the Statement of Financial Position (Balance Sheet), the Statement of Cash Flows and Note 23.

Note 9. Derivative financial assets

Table 9.1. Derivative financial assets

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Assets under foreign exchange swap contracts	11 086	6 400
Total financial assets at fair value through profit or loss	11 086	6 400

Refer to Note 9 in the Statement of Financial Position (Balance Sheet) and Note 23.

Note 10. Property, plant and equipment and intangible assets

Table 10.1. Property, plant and equipment and intangible assets for 2023

(UAH thousand)

Line	Article title	Buildings	Machinery and equipment	Transportation means	Tools, appliances, inventory (furniture)	Other property, plant and equipment and non-current tangible assets	Improvement of leased property	Unfinished capital investments in property, plant and equipment and intangible assets	Intangible assets	Total
1	2		3	4	5	6	7	8	9	10
1	Carrying amount at the beginning of the reporting period, as at 01 January 2023	-	30 630	4 104	587	2 566	12 038	719	17 768	68 412
1.1	<i>historical (revalued) cost</i>	-	55 258	5 106	1 458	19 252	29 620	719	32 557	142 634
1.2	<i>Depreciation at the beginning of the reporting period</i>	-	(24 628)	(1 002)	(871)	(16 686)	(25 627)	-	(14 789)	(74 222)
2	Receipts	21 339	14 632	42	20	2 092	1 823	20 969	2 727	63 644
3	Disposals	-	(23)	-	-	(26)	-	(21 336)	-	(21 385)
3.1	<i>historical (revalued) cost</i>	-	(242)	-	(40)	(250)	(487)	(21 336)	-	(22 355)
3.2	<i>depreciation</i>	-	219	-	40	224	487	-	-	970
4	Depreciation and amortization	-	(10 748)	(688)	(229)	(1 872)	(9 868)	-	(5 261)	(28 666)
5	Carrying amount at the end of the reporting period, as at 31 December 2023	21 339	34 491	3 458	378	2 760	3 993	352	15 234	82 005
5.1	<i>historical (revalued) cost</i>	21 339	69 648	5 148	1 438	21 094	29 620	352	35 284	183 923
5.2	<i>depreciation</i>	-	(35 157)	(1 690)	(1 060)	(18 334)	(25 627)	-	(20 050)	(101 918)

There are no property, plant and equipment subject to restrictions on ownership, use and disposal in the reporting period on the Bank's balance sheet.

The Bank has no pledged property, plant and equipment and intangible assets. In the reporting period, the Bank did not have any created intangible assets. There are no intangible assets subject to ownership restrictions.

The cost of fully depreciated property, plant and equipment amounted to UAH 11 249 thousand (2022: UAH 8 171 thousand).

During 2023 and 2022, the Bank did not revalue property, plant and equipment and intangible assets.

The disclosures in Note 10 are included in the Statement of Financial Position (Balance Sheet), the Statement of Cash Flows and Note 23.

Table 10.2. Property, plant and equipment and intangible assets for 2022

(UAH thousand)

Line	Article title	Machinery and equipment	Transportation means	Tools, appliances, inventory (furniture)	Other property, plant and equipment and other non-current tangible assets	Improvement of leased property	Unfinished capital investments in property, plant and equipment and intangible assets	Intangible assets	Total
1	2	3	4	5	6	8	9	10	11
1	Carrying amount at the beginning of the reporting period, as at 01 January 2022	26 805	2 853	842	2 553	19 780	122	15 284	68 239
1.1	<i>historical (revalued) cost</i>	44 645	6 226	1 519	16 067	26 778	122	26 024	121 381
1.2	<i>depreciation at the beginning of the reporting period</i>	(17 840)	(3 373)	(677)	(13 514)	(6 998)	-	(10 740)	(53 142)
2	Receipts	11 877	4 087	-	3 613	1 903	28 611	6 533	56 624
3	Disposals	(65)	(2 354)	-	(51)	(122)	(28 014)	-	(30 606)
3.1	historical (revalued) cost	(1 264)	(5 207)	(61)	(428)	(397)	(28 014)	-	(35 371)
3.2	depreciation	1 199	2 853	61	377	275	-	-	4 765
4	Depreciation and amortization charges	(7 987)	(482)	(255)	(3 549)	(9 523)	-	(4 049)	(25 845)
5	Carrying amount at the end of the reporting period, as at 31 December 2022	30 630	4 104	587	2 566	12 038	719	17 768	68 412
5.1	<i>historical (revalued) cost</i>	55 258	5 106	1 458	19 252	28 284	719	32 557	142 634
5.2	<i>depreciation</i>	(24 628)	(1 002)	(871)	(16 686)	(16 246)	-	(14 789)	(74 222)

Note 11: Investment property

The Bank recognizes real estate as investment property if it is held by the Bank to earn lease payments or for capital appreciation or both, and not for supplying services or administrative purposes.

Investment property is:

- land held to benefit from capital appreciation in the long term rather than for sale in the short term in the course of business;

- land, the further use of which is not determined as of a certain date;

- a building owned or obtained under a financial lease (rental) agreement that is leased (rented) under one or more operating lease (rental) agreements. An object is recognized as investment property if the area provided for leasing exceeds 50% of the total area of the building.

- a building that is not currently occupied but is intended for leasing (renting) under one or more operating lease (rent) agreements;

- property that is being constructed or improved for future use as investment property.

Initial recognition of investment property.

The Bank measures and recognizes investment property at cost. The cost of investment property includes its acquisition price and all directly attributable costs. Investment property is subsequently recognized on the Bank's balance sheet at fair value.

The fair value is estimated by a valuation entity. Changes in the fair value of an investment property are recognized in the accounting records if the deviation of the fair value from the carrying amount is more than 10%.

Investment property is derecognized in the Bank's balance sheet in the following cases:

- upon disposal of an object as a result of sale;

- when transferred into financial lease (leasing);

- during liquidation;

- when contributed to the authorized capital;

- when transferring from investment property to owner-occupied property;

- if no further economic benefits are expected to be derived from its use.

The decision to classify real estate as investment or owner-occupied real estate (including in the case of transfer from the category of investment real estate to owner-occupied real estate and vice versa in the course of operation) is made by a collegial body and documented in a relevant protocol.

Expenses for routine maintenance, repair and upkeep of investment property are recognized as expenses when incurred.

Capital expenditures for construction or development and for reconstruction of an investment property to be used as investment property in the long term increase its value.

The Bank determines the financial result from disposal of an investment property as the difference between the proceeds from disposal of the property and its carrying amount and recognizes

them as other income/expense of the Bank in the reporting period in which the disposal or liquidation took place.

In 2022, the Bank acquired ownership of the property accounted for on the investment property accounts by exercising the rights of a pledgee. Investment property is carried at fair value.

The fair value of investment property was determined based on the opinion of an independent appraiser who holds relevant qualification and experience in valuation of similar property in Ukraine.

In determining the fair value of investment property, the independent appraiser used the provisions of clause 60 of National Standard No. 1 *General Principles of Property and Property Rights Valuation*

In 2023, the Bank upof the value of real estate and, according to the appraisal reports, revalued the property, which resulted in a decrease in the fair value of the property by UAH 33 220 thousand.

In 2023, investment property was disposed of due to sale in the amount of UAH 8 742 thousand and transferred to the Bank's property, plant and equipment in the amount of UAH 21 339 thousand.

As at 31 December 2023, the fair value of investment property amounted to UAH 43 471 thousand (2022: UAH 106 772 thousand).

Refer to Note 11 in the Statement of Financial Position (Balance Sheet) and Note 23.

Note 12: Right-of-use assets

Table 12.1. Right-of-use assets

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Carrying amount as of January 1	46 192	63 437
Receipt and modification	15 282	14 139
Disposals	-	(3 141)
Depreciation	(26 036)	(28 243)
Total right-of-use assets at the end of the reporting period	35 437	46 192

The disclosures in Note 12 are included in the Statement of Financial Position (Balance Sheet) and Note 23.

Note 13. Non-current assets held for sale and assets of disposal groups

Table 13.1. Non-current assets held for sale and assets of disposal groups

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Non-residential real estate	108 453	74 284
Land	15 421	17 865
Total non-current assets held for sale and assets of disposal groups	123 874	92 149

As at 31 December 2023, the Bank accounts for non-current assets held for sale as collateral transferred to the Bank's balance sheet as compensation for the loan debt, namely: buildings of the sanatorium and resort complex, land plots and other non-residential real estate. Upon acceptance on

the balance sheet, the Bank evaluated them and recorded them in the accounting at the lower of the carrying amount of the debtor's loan or fair value less costs to sell.

In accordance with the requirements of the Resolution of the National Bank of Ukraine of 18.07.2019 No. 97 *On Approval of the Regulation on the Organization of the Process of Managing Distressed Assets in Banks of Ukraine*, the Bank has appointed a responsible unit for the management of repossessed property (property held for sale) in order to effectively organize the management of property held for sale.

In addition, the Bank Management Board approved the Plan for the sale of property held for sale, developed by the WORKING GROUP FOR THE MANAGEMENT OF TROUBLE ASSETS OF BANK ALLIANCE JSC, which is updated on a regular basis.

As at 31 December 2023, the Bank has no assets for disposal and no liabilities related to assets of the disposal group.

In 2023, the Bank recognized the pledged property, namely: health and recreation complex "Karpaty" located at the address: 3, Dubrivka tract, Novoselytsia village, Dolynskyi district, Ivano-Frankivsk oblast, with a carrying value of UAH 44 607 thousand.

In December 2023, the Bank upof the value of real estate and, according to the appraisal reports, revalued the property, which resulted in a decrease in the carrying value of the property by UAH 12 882 thousand.

The disclosures in Note 13 are included in the Statement of Financial Position (Balance Sheet) and Note 23.

Table 13.2. Non-current assets held for sale

No.	Current information about the item of real estate	
1.The building is a dormitory of the Geneva sanatorium		
1.1.	Address	63 Sukhovolya St., Truskavets, Lviv oblast
1.2.	Total area	2 451,8 sq. m.
1.3.	Valuation	Valuation report of 28 December 2023 by Forward PE
1.4.	Valuation amount according to the report (UAH thousand)	6 536
1.5.	Item carrying amount (UAH thousand)	6 536
2.Hotel-type building of the building No. 4 (letter A No. 7)		
2.1.	Address	65 Sukhovolya St., Truskavets, Lviv oblast
2.2.	Total area	6 208,2 sq. m.
2.3.	Valuation	Valuation report of 28 December 2023 by Forward PE
2.4	Valuation amount according to the report (UAH thousand)	16 551
2.5.	Item carrying amount (UAH thousand)	16 551
3. Building - non-residential building "SPA-Wellnes", center with swimming pools, letter B		
3.1.	Address.	63 B Sukhovolya St., Truskavets, Lviv oblast
3.2.	Total area	7228,6 sq. m.

3.3.	Valuation	Valuation report of 28 December 2023 by Forward PE
3.4.	Valuation amount according to the report (UAH thousand)	19 271
3.5	Item carrying amount (UAH thousand)	19 271
4. Land plot for construction and maintenance of sanatoriums and health centers		
4.1	Address	63 Sukhovolya St., Truskavets, Lviv oblast
4.2.	Total area	0,0934 hectares
4.3.	Valuation	Valuation report of 28 December 2023 by Forward PE
4.4.	Valuation amount according to the report (UAH thousand)	1 005
4.5	Item carrying amount (UAH thousand)	1 005
5. Land plot for construction and maintenance of sanatoriums and health centers		
5.1	Address	65 Sukhovolya St., Truskavets, Lviv oblast
5.2	Total area	2,1472 hectares
5.3	Valuation	Valuation report of 28 December 2023 by Forward PE
5.4	Valuation amount according to the report (UAH thousand)	14 416
5.5.	Item carrying amount (UAH thousand)	14 416
6. Non-residential premises		
6.1	Address	59 Zvirynetska str., Kyiv, premise 245
6.2	Total area	84,2 sq. m.
6.3	Valuation	Valuation report of 28 December 2023 by Forward PE
6.4	Valuation amount according to the report (UAH thousand)	5 422
6.5	Item carrying amount (UAH thousand)	5 422
7 . Non-residential premises		
7.1	Address	59 Zvirynetska St., Kyiv, in letter A from No. 1 to No. 6, terrace (group of premises No. 249) - office.
7.2	Total area	326 sq. m.
7.3	Valuation	Valuation report of 28 December 2023 by Forward PE
7.4	Valuation amount according to the report (UAH thousand)	16 066
7.5	Item carrying amount (UAH thousand)	16 066
8. Buildings - Karpaty Medical and Recreational Complex		
8.1	Address	Ivano-Frankivsk oblast, Dolyna district, Novoselytsia village, 3 Dubrivka tract.
8.2	Total area	4 527 sq. m.
8.3	Valuation	Evaluation report of 18 April 2023 by Forward PE

8.4	Valuation amount according to the report (UAH thousand)	44 607
8.5	Item carrying amount (UAH thousand)	44 607

Note 14: Other assets

Table 14.1: Other assets

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
<i>Other financial assets</i>		
Receivables from operations with foreign currency and precious metals at the expense of the bank	71 694	85 884
Receivables from operations with financial instruments	65 648	55 611
Receivables from transactions with bank clients	28 690	10 250
Accrued unearned commissions on guarantees issued by the Bank	19 285	6 364
Funds placed with other banks as collateral	3 331	3 667
Other financial assets	656	856
Allowance for impairment of other financial assets	(45 768)	(19 331)
Total other financial assets	143 536	143 301
<i>Other non-financial assets</i>		
Receivables from the bank's business activities	19 579	7 903
Prepaid expenses	17 856	16 094
Precious metals in a bank branch	51	346
Other non-financial assets	211	193
Allowance for impairment of other non-financial assets	(13 244)	(7 328)
Total other non-financial assets	24 453	17 208
Total other assets	167 989	160 509

During the reporting and previous periods, the Bank did not have any agreements on the provision of assets under financial leasing (rent), under which the Bank is a lessor.

As at 31 December 2023, BANK ALLIANCE JSC's balance sheet includes debt under the agreement with Transcapitalbank PJSC on accounts receivable and accounts payable.

As at 31 December 2023, the balance of receivables on account 3540 "Receivables from purchase and sale of foreign currency and precious metals at the expense of the bank" amounted to UAH 70 888 thousand (2022: UAH 85 344 thousand).

As at 31 December 2023, the balance of debt on account 3640 "Accounts payable for purchase and sale of foreign currency and precious metals at the expense of the bank" amounted to UAH 80 986 thousand (2022: UAH 77 971 thousand).

This debt arose due to the fact that the Bank and Transcapitalbank PJSC entered into forex agreements and a forex swap agreement with the value date of 24 February 2022. Due to the prohibition of expenditure transactions in Russian rubles and with Russian companies, in accordance with the Resolution of the National Bank of Ukraine of February 24, 2022 No. 18 "On the Operation of the Banking System during the Period of Martial Law", the Bank continues to account for this transaction under counterclaims in the accounting records on balance sheet accounts 3540 "Receivables from the

purchase and sale of foreign currency and precious metals at the expense of the bank" - liability to receive russian rubles, and 3640 "Payables from the purchase and sale of foreign currency and precious metals at the expense of the bank". Settlements between the parties to the transaction were made unilaterally by the other party to the transaction.

The derecognition of receivables and payables under the above transaction and, accordingly, the closure of forex transactions may be performed only if such transaction does not contradict the requirements of Ukrainian legislation, namely the requirements of Resolution of the National Bank of Ukraine No. 18 "On the Operation of the Banking System during the Period of Martial Law" of February 24, 2022.

The Bank's management believes that since the accounting for derecognition of receivables and payables under the above transaction and, accordingly, closure of forex transactions is regulated by the Resolution of the National Bank of Ukraine No. 18 " On the Operation of the Banking System during the Period of Martial Law" of 24 February 2022, it is not possible to avoid it in the preparation of these financial statements.

Refer to Note 14 in the Statement of Financial Position (Balance Sheet) and Note 23.

Table 14.2: Analysis of changes in allowance for impairment of other assets

<i>In thousands of UAH</i>	Provisions for accrued income	Provisions for amounts due from other banks as collateral	Receivables from transactions with bank clients	Receivables from the bank's business activities	Total
Balance as at 31 December 2021	(18 707)	(2)	(985)	(6 673)	(26 367)
(Increase)/ decrease in reserve	(375)	(48)	786	(655)	(292)
Balance as at 31 December 2022	(19 082)	(50)	(199)	(7 328)	(26 659)
(Increase)/ decrease in reserve	(26 572)	35	100	(5 916)	(32 353)
Balance as at 31 December 2023	(45 654)	(15)	(99)	(13 244)	(59 012)

Note 15: Placements with banks

Table 15.1. Placements with banks

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Correspondent accounts	145	-
Loans received from the National Bank of Ukraine through refinancing	700 000	2 100 000
Total due to other banks	700 145	2 100 000

During the reporting and previous periods, there were no cases of the Bank's default on the principal and interest payments.

As at 31 December 2023, the value of securities pledged as collateral for refinancing loans of

the National Bank of Ukraine amounted to UAH 720 045 thousand (31 December 2022: UAH 2 189 250 thousand).

Refer to Note 15 in the Statement of Financial Position (Balance Sheet) and Note 23.

Note 16. Customer deposits

Table 16.1. Customer deposits

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
<i>Legal entities:</i>	6 962 950	3 527 619
current accounts	5 586 333	2 643 331
term funds	1 376 617	884 288
<i>Individuals:</i>	2 414 115	2 329 525
current accounts	468 313	368 833
term funds	1 945 802	1 960 692
Total customer deposits	9 377 065	5 857 144

The amounts of Note 16 are disclosed in the Statement of Financial Position (Balance Sheet) and Note 23.

Table 16.2. Breakdown of customer deposits by type of economic activity

Type of economic activity (UAH thousand)	31 December 2023		31 December 2022	
	amount	%	amount	%
Individuals	2 414 115	25.74	2 329 525	39.77
Wholesale and retail trade, except for motor vehicles	1 501 295	16.01	1 018 179	17.38
Manufacture of other vehicles	1 109 531	11.83	380 376	6.50
Supply of electricity, gas, steam and air conditioning	871 468	9.29	296 457	5.06
Organizing gambling activities	350 845	3.74	-	-
Manufacture of machinery and equipment and other vehicles	334 572	3.57	102 296	1.75
Construction, construction works	320 173	3.41	211 656	3.61
Provision of financial services, except insurance and pension funding	318 666	3.40	215 669	3.68
Clothing production	318 582	3.40	4 098	0.07
Production of finished metal products	161 837	1.73	30 404	0.52
Agriculture	131 246	1.40	129 658	2.21
Repair and installation of machinery and equipment	130 220	1.39	23 146	0.40
Mining and quarrying	119 076	1.27	91 204	1.56
Advertising activities	96 084	1.02	5 202	0.09
Warehousing and transportation activities	77 883	0.83	76 702	1.31
Production of chemicals and chemical products	72 746	0.78	60 570	1.03
Real estate transactions	63 905	0.68	28 378	0.49
Land and pipeline transportation	41 166	0.44	32 655	0.56
Computer programming	37 778	0.40	26 312	0.45
Activities in the fields of architecture and engineering	37 330	0.40	34 722	0.59
Wholesale and retail trade in motor vehicles	36 343	0.39	43 365	0.74
Insurance, reinsurance and non-state pensions	33 198	0.35	36 479	0.62

Type of economic activity (UAH thousand)	31 December 2023		31 December 2022	
	amount	%	amount	%
Manufacture of rubber and plastic products	31 538	0.34	16 704	0.29
Metallurgical production	30 675	0.33	179 210	3.06
Food production	24 730	0.26	65 248	1.11
Other	712 063	7.60	418 929	7.92
Total customer deposits	9 377 065	100	5 857 144	100

Note 17. Provisions for liabilities

Table 17.1. Changes in provisions for loan liabilities

<i>In thousands of UAH</i>	Provisions for loan liabilities	
	2023	2022
Balance at the beginning of the period	33 643	19 388
Additions and/or (usage)	31 484	14 255
Balance at the end of the period	65 127	33 643

The amounts of Note 17 are disclosed in the Statement of Financial Position (Balance Sheet) and Note 23.

Table 17.2. Provision for other liabilities

As of the end of the day on December 31, 2023, liabilities to ensure reimbursement of losses that may be caused by the KNEDP to users of electronic trust services due to improper performance of its duties amounted to UAH 7 100 thousand (2022: UAH 6 700 thousand).

Table 17.3. Provisions for impairment of loan Liabilities under the three-stage impairment model as at 31 December 2023

In thousands of UAH	Impairment model STAGE 1	Impairment model STAGE 2	Impairment model STAGE 3
Provisions for financial guarantees issued	-	40 409	24 157
Provisions for letters of credit	-	561	-
Total	-	40 970	24 157

Table 17.4. Provisions for impairment of loan Liabilities under the three-stage impairment model as at 31 December 2022

In thousands of UAH	Impairment model STAGE 1	Impairment model STAGE 2	Impairment model STAGE 3
Provisions for financial guarantees issued	-	32 164	655
Provisions for letters of credit	-	824	-
Total	-	32 988	655

The Bank uses the same credit control and management policies in making credit related Liabilities as it does for loans on its balance sheet. The maximum potential credit risk exposure on credit related Liabilities is equal to the total amount of the commitment. Taking into account the availability of collateral and the fact that such Liabilities (except for guarantees) are revocable, the

Bank's management believes that there is virtually no potential credit risk and potential liquidity risk on these transactions. Provision in the reporting and prior periods was made as a provision for guarantees.

Note 18. Lease Liabilities

Table 18.1. Lease liabilities

The carrying amount of liabilities at the end of the reporting period is the amount of recognized liabilities at the beginning of the reporting period, increased by the value of new lease Liabilities and accrued expenses, and decreased by lease payments made.

The carrying amounts of lease liabilities and their movements during the reporting year are as follows:

<i>In thousands of hryvnias</i>	Dec 31, 2023	Dec 31, 2022
Balance at the beginning of the reporting period	57 126	66 224
Increase in lease liabilities	20 551	34 156
Decrease in lease liabilities	(7 555)	(20 249)
Interest charged	4 026	4 014
Lease payments made	(38 098)	(27 019)
Disposals	(120)	-
Balance at the end of the reporting period	35 930	57 126

The future lease payments and the present value of net lease payments at the reporting date are as follows

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Lease payments to be made:		
Within 1 year	23 714	40 621
From 1 to 5 years	15 465	23 036
Total lease payments	39 179	63 657

The related expenses are recognised in profit or loss, namely:

- depreciation of the right-of-use asset is recognized on a monthly basis over the lease term specified in the contract.
- lease payments made by the Bank as a lessee under operating lease agreements are recognized as administrative expenses.

The Bank charges interest expense on lease liabilities on a monthly basis.

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Depreciation on right-of-use assets	(26 036)	(28 243)
Included in administrative expenses:		
Short-term lease expenses that do not meet the criteria for recognition under IFRS 16	(1 996)	(2 224)
Included in financial expenses:		
Interest expense on lease liabilities	(4 026)	(4 014)
Total amount recognized in profit or loss	(34 481)	(34 481)

The amounts of Note 18 are disclosed in Note 23, Note 24 "Interest income and expense" and Note 27 "Administrative and other operating expenses".

Note 19. Subordinated debt

As at 31 December 2023, the Bank entered into 4 agreements to raise funds on the terms of subordinated debt:

- with an individual resident of Ukraine in the amount of UAH 26 500 thousand with an interest rate of 7% and maturing in February 2030, in the amount of UAH 30 000 thousand with an interest rate of 6% and maturing in August 2030, and in the amount of UAH 160 000 thousand with an interest rate of 7% and maturing in November 2033;

- with a non-resident individual in the amount of USD 2 000 thousand with an interest rate of 6% and maturity in October 2025.

As at 31 December 2023, the carrying amount of borrowed funds (including accrued interest) amounted to UAH 293 759 thousand (2022: UAH 290 952 thousand).

The Bank's Banking Supervision and Regulation Committee and the Bank's Payment Systems Supervision (Oversight) Committee approved all agreements to include funds raised on the terms of subordinated debt in the Bank's capital.

The amounts of Note 19 are disclosed in the Statement of Financial Position (Balance Sheet) and Note 23.

Note 20: Other fundraising

The European Investment Bank (the "EIB") and Ukraine, represented by the Ministry of Finance of Ukraine acting jointly with JSC Ukreximbank, entered into the Financial Agreement "Project on the Main Loan for Small and Medium-Sized Enterprises and Companies with Medium Capitalization" of 24 December 2014 No. FI No. 82.844 Serapis No. 2013-0283, ratified by the Verkhovna Rada of Ukraine (Law of Ukraine No. 601-VIII of 15 July 2015), under which the European Investment Bank provided Ukraine with a loan in the amount of EUR 400 000 000,00 (four hundred million euros). The purpose of the loan is to finance a portfolio of Subprojects, each of which is implemented in Ukraine by small and medium-sized enterprises, companies with a medium level of capitalization and "Eligible Enterprises". As part of the above, on July 23, 2020, the Bank signed 2 agreements to attract funds from the European Investment Bank within the framework of joint projects between the EIB and Ukraine:

- "Principal loan for the agricultural sector - Ukraine", as at 31 December 2023, the carrying amount of funds raised under this agreement is UAH 154 352 thousand (2022: UAH 161 213 thousand);

- "Project on Principal Loan for Small and Medium Enterprises and Companies with Medium Capitalization", as at 31 December 2023, the carrying amount of funds raised under this agreement is UAH 114 212 thousand (2022: UAH 235 236 thousand).

The agreements are trilateral, with BANK ALLIANCE JSC, the Ministry of Finance of Ukraine and JSC Ukreximbank acting as parties.

On December 30, 2021, the Bank signed an agreement with the International Finance Corporation (hereinafter - IFC) to open a credit line (for a period of 3 years) and a trade finance line in the amount of USD 10 million (with the possibility of increasing the limit). The loan is provided to finance Ukrainian SMEs, with at least 50 percent of the loan proceeds earmarked for small and medium-sized enterprises in the agricultural sector. IFC's investment includes a USD 5 million loan from IFC's own account and a further EUR 5 million mobilized from the Invest in Visions GmbH IIV Mikrofinanzfonds microfinance fund. In addition, in 2021, the Bank also joined the IFC DigiLab program, which will strengthen the Bank's digital transformation strategy by refining its operating model and expanding the range of digital banking products and services for clients.

As at 31 December 2023, the funds under the agreement with IFC Bank have not yet been received.

The amounts disclosed in Note 20 are included in the Statement of Financial Position (Balance Sheet) and Note 23.

Note 21 Other liabilities

Table 21.1. Other liabilities

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
<i>Financial liabilities</i>		
Accounts payable on customer transfers	220 013	204 564
Customer deposits on non-performing accounts	169 408	13 499
Accounts payable on transactions of purchase and sale of foreign currency at the expense of the bank	125 230	79 868
Accounts payable on credit transactions	-	6 670
Accounts payable for funds received as a security deposit	10 385	6 195
Other accrued expenses	8 382	3 194
Accounts payable on transactions with bank clients	8 320	285
Accounts payable on transactions with banks	2 622	3 056
Other financial liabilities	814	141
Total financial liabilities	545 174	317 472
<i>Non-financial liabilities</i>		
Accounts payable for settlements with bank employees	21 232	14 214
Payables for taxes and mandatory payments	4 570	5 283
Deferred income	863	783
Other non-financial liabilities	40	67
Total non-financial liabilities	26 705	20 347
Total other liabilities	571 880	337 819

The disclosures in Note 21 are included in the Statement of Financial Position (Balance Sheet) and Note 23.

Refer to Note 14 "Other assets" for the accounting for "Payables from transactions of purchase and sale of foreign currency on the bank's account".

Note 22. Bank share capital and reserves

Table 22.1. Share capital

<i>In thousands of UAH</i>	Number of shares in circulation (thousand units)	Ordinary shares	Total
<i>Balance at the end of the reporting period (31 December 2021)</i>	16 000	457 280	457 280
Contributions to shares (units, stakes), unregistered authorized capital	-	-	-
<i>Balance at the end of the reporting period (31 December 2022)</i>	16 000	457 280	457 280
Contributions on shares (units, shares), registered authorized capital	-	-	-
<i>Balance at the end of the reporting period (31 December 2023)</i>	16 000	457 280	457 280

As at 31 December 2023, the registered and fully paid authorized share capital of the Bank amounted to UAH 457 280 thousand and consisted of 16 000 000 ordinary registered shares with a nominal value of UAH 28,58 each.

As of 31 December 2023, the registered and fully paid authorized share capital of the Bank amounted to UAH 457 280 thousand, and consists of 16 000 000 ordinary registered shares with a par value of UAH 28,58 each. The certificate of registration of the issue of shares with a nominal value of UAH 28,58 for each share was issued to the Bank by the NSSMC on June 3, 2021 under No. 27/1/2021.

During the reporting year 2023, the Bank did not place, repurchase, sell previously repurchased shares, or cancel them. Preferred shares were not placed. There are no shares intended for issue under the terms of options and sales contracts.

Bank reserves

Contributions to the reserve fund are made from the net profit of the reporting year remaining at the disposal of the Bank after taxes and other mandatory payments (hereinafter referred to as the net profit of the reporting year).

Contributions to the reserve fund from the net profit of the reporting year are made after the Annual Report is approved by the General Meeting of Shareholders and a decision on profit distribution is made.

The amount of annual contributions to the reserve fund is determined by the Bank's Charter and must be not less than 5 percent of the Bank's net profit until it reaches 25 percent of the Bank's registered authorized capital.

The Bank's reserve fund may be used to cover unforeseen losses on all items of assets and off-balance sheet liabilities.

The procedure for formation and amounts of other funds of the Bank are determined by the relevant resolutions of the General Meeting of Shareholders in accordance with the requirements of the laws of Ukraine and regulations of the NBU.

At the beginning of the reporting period, the reserve fund was UAH 61 083 thousand, during the reporting period the Bank allocated UAH 3 848 thousand to the reserve fund (2022: UAH 16 553 thousand), which is 5% of the Bank's profit for the year 2022. At the end of the reporting period, the amount of reserve and other funds of the Bank amounted to UAH 64 931 thousand.

The disclosures in Note 22 are included in the Statement of Financial Position (Balance Sheet) and the Statement of Changes in Shareholders' Equity (Statement of Equity)".

Note 23. Maturity analysis of assets and liabilities

Table 23.1. Analysis of assets and liabilities by their maturity

<i>In thousands of UAH</i>	Note	31 December 2023			31 December 2022		
		Up to a year	More than a year	Total	Up to a year	More than a year	Total
ASSETS							
Cash and cash equivalents	6	2 091 735	-	2 091 735	1 049 498	-	1 049 498
Loans and advances to customers	7	2 935 926	781 760	3 717 686	3 855 094	661 933	4 517 027
Investments in financial instruments	8	2 971 052	3 118 674	6 089 726	939 391	3 087 500	4 026 891
Derivative financial assets	9	11 086	-	11 086	6 400	-	6 400
Current income tax receivable		283	-	283	5	-	5
Deferred tax asset		-	44 736	44 736	-	45 588	45 588
Property, plant and equipment and intangible assets	10	-	82 005	82 005	-	68 412	68 412
Investment property	11	-	43 471	43 471	-	106 772	106 772
Right-of-use assets	12	-	35 438	35 438	-	46 192	46 192
Non-current assets held for sale and assets of disposal groups	13	123 874	-	123 874	92 149	-	92 149
Other assets	14	167 989	-	167 989	146 812	13 697	160 509
Total assets		8 301 945	4 106 084	12 408 029	6 089 349	4 030 094	10 119 443
LIABILITIES							
Placements with banks	15	700 145	-	700 145	-	2 100 000	2 100 000
Customer deposits	16	9 251 721	125 344	9 377 065	5 826 610	30 534	5 857 144
Current income tax liabilities		3 202	-	3 202	48 924	-	48 924
Provisions for liabilities	17	48 709	23 518	72 227	22 890	17 453	40 343
Lease liabilities	18	20 208	15 722	35 930	35 483	21 643	57 126
Subordinated debt	19	1 211	292 548	293 759	1 364	289 588	290 952
Other fundraising	20	167 676	101 289	268 965	120 635	276 436	397 071
Other liabilities	21	565 072	6 807	571 879	336 945	874	337 819
Total liabilities		10 757 944	565 228	11 323 172	6 392 851	2 736 528	9 129 379

Refer to Note 23 in the Statement of Financial Position (Balance Sheet).

Note 24. Interest income/costs**Table 24.1:** Interest income/costs

<i>In thousands of UAH</i>	for 2023	for 2022
INTEREST INCOME:		
Loans and advances to customers	826 553	802 383
Interest income on debt securities	477 291	129 194
NBU deposit certificates carried at amortized cost	139 431	19 906
Correspondent accounts with other banks	703	53
Placements with other banks	135	104
Other interest income	3 470	1 397
Total interest income	1 447 583	953 037
INTEREST COSTS:		
Current accounts of legal entities	(386 314)	(75 931)
Current accounts of individuals	(2 096)	(2 974)
Loans and correspondent accounts of other banks	(2 802)	(2 868)
Time deposits of legal entities	(142 711)	(107 091)
Time deposits of individuals	(200 598)	(166 279)
Time deposits of other banks	-	(269)
Interest on loans received from the National Bank of Ukraine through refinancing	(290 496)	(722 603)
Lease interest	(4 026)	(4 014)
Subordinated debt interest	(19 222)	(18 775)
Interest on loans from international and other organizations	(6 419)	(7 494)
Other costs	(5 510)	(6 115)
Total interest costs	(1 060 194)	(1 114 413)
Net interest income (costs)	387 389	(161 376)

The disclosures in Note 24 are included in the Statement of Profit or Loss and Other Comprehensive Income (the Statement of Financial Performance) and Note 31.

Note 25. Commission income/expense**Table 25.1.** Commission income/expense

<i>In thousands of UAH</i>	for 2023	for 2022
COMMISSION INCOME		
Cash and settlement operations	112 318	67 068
Customer credit service	6 760	6 510
FX market transactions for clients	87 929	46 060
Guarantees provided	222 557	206 386
Securities transactions for clients	534	205
Total fee and commission income	430 098	326 229
COMMISSION EXPENSE		
Cash and settlement operations	(87 007)	(28 023)
Credit service	(5 366)	(9 589)
Securities transactions for clients	(1 604)	-
Off-balance sheet transactions	(2 328)	(737)
Total commission expense	(96 305)	(38 349)
Net commission income/expense	333 793	287 880

The disclosures in Note 25 are included in the Statement of Profit or Loss and Other Comprehensive Income (the Statement of Financial Performance) and Note 31.

Note 26. Other operating income**Table 26.1. Other operating income**

<i>In thousands of UAH</i>	for 2023	for 2022
Lease income on safe deposit boxes	900	1 186
Gains from modification of financial assets	1 865	3 812
Fines and penalties received	4 583	3
Gain from sale under an assignment agreement	-	10 677
Interest income on early termination of deposit agreements	-	2 803
Other	14 923	2 546
Total other income	22 271	21 027

The disclosures in Note 26 are included in the Statement of profit or loss and other comprehensive income (the Statement of financial performance) and Note 31.

Note 27: Administrative and other operating expenses**Table 27.1. Administrative and other operating expenses**

<i>In thousands of UAH</i>	for 2023	for 2022
Expenses for the maintenance of property, plant and equipment and intangible assets, telecommunications, operating	(59 334)	(45 335)
Operating lease (rental) costs	(1 996)	(2 224)
Other expenses related to property, plant and equipment	(40)	(5 734)
Professional services	(12 696)	(10 115)
Marketing and advertising expenses	(743)	(1 575)
Insurance costs	(178)	(1 801)
Payment of taxes and duties other than income tax	(19 931)	(20 256)
Reward for attracting clients	(17 756)	(16 655)
Expenses on transactions with payment cards	(54 203)	(31 940)
Expenses from modification of financial assets	(1 650)	(3 849)
Other	(136 142)	(25 353)
Total administrative and other operating expenses	(304 669)	(164 837)

The disclosures in Note 27 are included in the Statement of profit or loss and other comprehensive income (the "Statement of financial performance") and Note 31.

Note 28. Result from transactions with financial instruments at fair value through profit or loss**Table 28.1. Result from transactions with financial instruments at fair value through profit or loss**

<i>In thousands of hryvnias</i>	2023	2022
Result from operations with derivative financial instruments at fair value through profit or loss, including		
result from revaluation of foreign exchange swap contracts	(16 435)	(69 136)
result from purchase and sale of foreign exchange swap contracts	37 003	323 830
result from purchase and sale of forward contracts	-	(154 250)

result from transactions with securities at fair value through profit or loss.	260 348	788 089
Total result from transactions with financial instruments at fair value through profit or loss.	280 917	888 533

The disclosures in Note 28 are included in the Statement of Profit or Loss and Other Comprehensive Income (the Statement of Financial Performance) and Note 31.

Note 29. Income tax expense

Table 29.1. Income tax expenses

<i>In thousands of UAH</i>	2023	2022
Current income tax	27 250	58 939
Changes in income tax	852	(40 380)
Total income tax expense	28 102	18 559

The disclosure in Note 29 is included in the Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Performance).

In 2023, deferred income tax was changed:

deferred tax asset decreased by UAH 852 thousand due to provisions for guarantees, negative result from securities trading, differences arising from depreciation of non-current assets.

Table 29.2. Reconciliation of accounting profit (loss) and tax profit (loss)

Line	<i>In thousands of UAH</i>	2023	2022
1	Profit before taxation	122 895	95 521
2	Theoretical tax deductions at the applicable tax rate of 50% (2022: 18%)	61 448	17 193
ADJUSTMENTS TO ACCOUNTING PROFIT (LOSS):			
3	Expenses that are not included in the amount of expenses for the purpose of calculating tax profit, but are recognized in accounting	66 434	251 932
3.1	Differences arising from the depreciation of non-current assets that increase the financial result	27 125	22 576
3.2	Differences arising from the formation of provisions and increasing the financial result	33 025	15 463
3.3	Differences on additional interest accrual in tax accounting	925	971
3.4	Differences arising from the write-off (sale) of property, plant and equipment and the amount of the residual value increases the financial result	49	2 592
3.5	Differences arising from the sale of securities and increasing the financial result	-	203 509
3.6	Differences arising from the purchase of services from non-residents and increasing the financial result)	962	444
3.7	Differences arising from recognized fines, penalties, forfeitures and increase in financial result	4 348	6 377
4	Expenses that are included in the amount of expenses for the purpose of calculating tax profit but are not recognized in accounting (differences arising from the calculation of	(134 829)	(20 010)

Line	<i>In thousands of UAH</i>	2023	2022
	depreciation of non-current assets and reducing the financial result)		
4.1	Differences arising from the depreciation of non-current assets that reduce the financial result	(19 679)	(16 206)
4.2	Differences arising from the write-off (sale) of property, plant and equipment and the amount of residual value and reducing the financial result	(358)	(2 797)
4.3	Differences arising from the formation of provisions and reducing the financial result	(1 140)	(1 007)
4.4	Differences arising from the sale of securities that reduce the financial result	(113 652)	-
4.5	Differences, assets written off in previous periods, which in the reporting period acquired the features specified in clause 14.1.11	-	-
5	Income tax expense, including	(28 102)	(18 559)
	- on deferred tax asset	(852)	40 380

The Bank made a management decision to recognize a deferred tax asset in the amount of UAH 852 thousand in the Bank's balance sheet.

The Bank has the following differences for the year:

- differences arising from the formation of provisions for impairment of assets (guarantees) increasing the financial result before tax in the amount of UAH 31 885 thousand - EPA-25% - for 2023 were formed in the amount of UAH 7 971 thousand. As a result of the change in the income tax rate from 18% to 25% from 2024, the additional charge of EPA on the formed provisions by 01 January 2023 amounted to UAH 2 824 thousand.
- differences arising from the depreciation of non-current assets and increasing the result before tax in the amount of UAH 7 446 thousand - EPA-25% for 2023 amounted to UAH 1 861 thousand. As a result of the change in the income tax rate from 18% to 25% starting from 2024, additional depreciation and amortization charge amounted to UAH 659 thousand.

Differences that reduce the financial result before taxation by the amount of profit from the sale or other disposal of securities in 2023 amounted to UAH 113 652 thousand, due to the negative financial result from securities trading last year. According to the results of 2022, the negative value amounted to UAH 203 509 thousand and formed OCI - UAH 36 632 thousand. Due to the profit of 2023, the negative result of 2022 decreased and amounted to UAH 89 857 thousand - OCI - 25% - UAH 22 464 thousand, i.e. OCI decreased by UAH 14 167 thousand.

The Bank has permanent differences for which no deferred tax assets are accrued.

Differences that increase the financial result before tax: UAH 925 thousand for additional accrual of interest in tax accounting; UAH 962 thousand. - differences in the purchase of services from non-residents.

Differences that reduce the financial result before tax: differences arising from the write-off of property, plant and equipment in the amount of UAH 154 thousand.

Income tax expenses in 2023 amounted to UAH 27 250 thousand. At the same time, in accordance with international standards, due to the recognition of a deferred tax asset in the Bank's

balance sheet, income tax expense increased by UAH 852 thousand, and the final income tax expense amounted to UAH 28 102 thousand.

Taxation of the Bank's profit in the reporting year 2023 was carried out in accordance with Section III of the Tax Code of Ukraine and the Law of Ukraine of November 21, 2023 No. 3474-IX "On Amendments to the Tax Code of Ukraine on Peculiarities of Taxation of Banks and Other Taxpayers". The corporate income tax rate for 2023 is 50%.

Table 29.3. Tax consequences related to the recognition of deferred tax assets and deferred tax liabilities for 2023

<i>In thousands of UAH</i>	Balance at the beginning of the period	Recognized in profit or loss	Recognized in other comprehensive income	Recognized by in equity capital	Balance at the end of the period
Tax effect of temporary differences that reduce (increase) the amount of taxation and tax loss carryforwards	-	-	-	-	-
Net deferred tax asset	45 588	(852)	-	-	44736
Deferred tax liability recognized	-	-	-	-	-

Table 29.4. Tax consequences related to the recognition of deferred tax assets and deferred tax liabilities for 2022

<i>In thousands of UAH</i>	Balance at the beginning of the period	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Balance at the end of the period
Tax effect of temporary differences that reduce (increase) the amount of taxation and tax loss carryforwards	-	-	-	-	-
Net deferred tax asset	5 208	40 380	-	-	45 588
Deferred tax liability recognized	-	-	-	-	-

Note 30. Earnings/(loss) per ordinary share

Table 30.1. Net and adjusted earnings/(loss) per ordinary and diluted share

<i>In thousands of UAH</i>	for 2023	for 2022
Profit/(loss) for the year	94 793	76 962
Profit/(loss) attributable to ordinary shareholders of the bank	94 793	76 962
Average annual number of ordinary shares in circulation (thousand shares)	16 000	16 000
Net and adjusted earnings/(loss) per ordinary share (UAH)	5.92	4.81

The disclosures in Note 30 are included in the Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Performance).

Note 31: Operating segments

In accordance with IFRS 8, operating segments are components that engage in business activities that may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available.

A segment is a distinguishable component of the Bank that is engaged either in providing services or products (business segment) or in providing services or products within a particular economic environment (geographical segment) that is subject to risks and rewards.

The Bank's primary format for reporting segment information is business segments. The Bank's operations are primarily concentrated in Ukraine.

The Bank recognizes the following reportable segments:

- services to corporate clients;
- services to individuals;
- services to banks;
- investment activities;
- other segments and operations.

Corporate banking - this segment includes current accounts of legal entities and individual entrepreneurs, loans, overdraft facilities and deposits. Servicing corporate clients remains a priority for the Bank, corporate business is a key segment for the Bank and accounts for the bulk of the loan portfolio and revenues. The key customer segment targeted by the Bank is small and medium-sized enterprises and microbusinesses.

Retail banking - this segment includes retail banking. It includes opening and maintaining current accounts of individuals, attracting deposits, servicing credit cards and payroll projects, providing loans for current needs and mortgage lending. The development strategy of the Retail Banking business is to increase the customer base, improve the quality of customer service and increase business efficiency by introducing an optimal product range, service quality standards, model of retail product sales in branches, prudent credit policy, optimization of business processes, and improvement of the Bank's technological efficiency.

Services to banks - this segment includes transactions on correspondent accounts of banks, lending to banks and purchase and sale of foreign currencies and precious metals. Interbank operations are primarily conducted to generate trading income from operations in the interbank market and the international currency market, as well as to manage the Bank's immediate and current liquidity, taking into account risks and costs, to ensure the Bank's solvency and timely fulfillment of its liabilities to clients and counterparties.

Investing activities - this segment includes trading with financial instruments, capital market operations, and securities transactions. The Bank's priority investments remain debt securities issued by government authorities - Ukrainian government bonds and NBU certificates of deposit.

Information about the reportable segments' revenues, expenses, assets and liabilities is set out below.

Table 31.1. Reportable segments: revenues, expenses and results for 2023

<i>In thousands of UAH</i>	Name of reportable segments					Total
	services to corporate clients	services to individuals	services banks	Investment activities	Other segments and operations	
Revenue from external clients:						
Interest income	802 055	27 967	839	616 722	-	1 447 583
Fee and commission income	363 309	43 337	22 918	534	-	430 098
Other income	6 675	918	3	1	14 674	22 271
Total segment revenues	1 172 039	72 222	23 760	617 257	14 674	1 899 952
Interest expense	(540 954)	(222 426)	(293 298)	-	(3 516)	(1 060 194)
Commission expenses	(7 693)	(12 380)	(74 628)	(1 604)	-	(96 305)
Net loss from impairment of financial assets	(253 691)	(22 392)	(19 900)	-	(5 916)	(301 899)
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	-	-	20 569	260 348	-	280 917
Net foreign exchange gain/(loss)	-	26 383	47 692	-	-	74 075
Net foreign currency revaluation gain/(loss)	-	-	(832)	-	-	(832)
Charges to provisions for liabilities	(31 885)	-	-	-	-	(31 885)
Net gain/(loss) on derecognition of financial assets carried at amortized cost	22 571	-	-	-	-	22 571
Expenses from revaluation of investment property	(33 220)	-	-	-	-	(33 220)
Administrative and other operating expenses (including employee benefits)	(59 006)	(161 071)	(8 246)	(2 707)	(399 255)	(630 285)
SEGMENT RESULT: Profit/(loss) before taxation	268 161	(319 664)	(304 883)	873 294	(394 013)	122 895

Table 31.2. Reportable segments: revenues, expenses and results for 2022

<i>In thousands of hryvnias</i>	Name of reportable segments					Total
	services to corporate clients	services to individuals	services banks	Investment activities	Other segments and operations	
Revenue from external clients:						
Interest income	790 369	13 411	157	149 100	-	953 037
Fee and commission income	294 870	23 631	7 523	205	-	326 229
Other income	18 079	1 273	3	-	1 672	21 027
Total segment revenues	1 103 318	38 315	7 683	149 305	1 672	1 300 293
Interest expense	(196 631)	(188 028)	(725 740)	-	(4 015)	(1 114 413)
Commission expenses	(10 325)	(4 041)	(23 981)	(2)	-	(38 349)
Net loss from impairment of financial assets	(503 369)	1 732	(62 599)	-	(655)	(564 891)
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	(154 250)	-	254 694	788 089	-	888 533
Net foreign exchange gain/(loss)	-	(26 770)	181 192	-	-	154 422
Net foreign currency revaluation gain/(loss)	-	-	87 095	-	-	87 095
Charges to provisions for liabilities	(14 255)	-	-	-	(200)	(14 455)
Net gain/(loss) on derecognition of financial assets carried at amortized cost	-	-	-	(156 217)	-	(156 217)
Administrative and other operating expenses (including employee benefits)	(122 418)	(107 255)	(22 793)	(2 665)	(191 366)	(446 497)
SEGMENT RESULT: Profit/(loss) before taxation	102 076	(286 047)	(304 449)	778 510	(194 563)	95 521

Table 31.3. Reportable segments: assets and liabilities as at December 31, 2023

<i>In thousands of UAH</i>	Name of reportable segments				Other segments and operations	Total
	services to corporate clients	services to individuals	services to banks	Investment activities		
SEGMENT ASSETS						
Segment assets	3 620 996	175 845	1 598 475	6 089 726	-	11 485 042
Unallocated assets	-	-	-	-	922 987	922 987
Total assets	3 620 996	175 845	1 598 475	6 089 726	922 987	12 408 029
SEGMENT LIABILITIES						
Segment liabilities	7 706 090	2 716 194	828 253	-	-	11 250 537
Unallocated liabilities	-	-	-	-	72 635	72 635
Total liabilities	7 706 090	2 716 194	828 253	-	72 635	11 323 172

Table 31.4. Reportable segments: assets and liabilities as at December 31, 2022

<i>In thousands of UAH</i>	Name of reportable segments				Other segments and operations	Total
	services to corporate clients	services to individuals	services to banks	Investment activities		
SEGMENT ASSETS						
Segment assets	4 511 554	65 215	1 012 443	4 026 891	-	9 616 103
Unallocated assets	-	-	-	-	503 340	503 340
Total assets	4 511 554	65 215	1 012 443	4 026 891	503 340	10 119 443
SEGMENT LIABILITIES						
Segment liabilities	4 193 239	2 620 902	2 182 924	-	-	8 997 065
Unallocated liabilities	-	-	-	-	132 314	132 314
Total liabilities	4 193 239	2 620 902	2 182 924	-	132 314	9 129 379

Note 32. Financial risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The main risks faced by the Bank are those related to credit risk, market risk (which includes foreign exchange and interest rate risk), liquidity risk and operational risk.

The risks are managed in an integrated manner and are evaluated on the basis of the Bank's policies, which are reviewed and approved by the Bank's Supervisory Board. Risk limits are established for credit, market and liquidity risks and the level of exposure is maintained within these limits. The Bank has implemented the calculation and setting of risk appetite (tolerance) to operational risks.

Credit risk

Credit risk is the risk of a financial loss if a borrower or counterparty fails to meet its liabilities to the Bank. The Bank has developed policies and procedures for the management of credit risk in respect of both on- and off-balance sheet exposures.

For the purposes of risk management reporting, the Bank considers and consolidates all elements of credit risk (such as individual customer and counterparty default risk, and country and industry risk).

With the implementation and enforcement of the Resolution of the Board of the National Bank of Ukraine No. 351 of 30 June 2016, according to which the Bank calculates the amount of uncovered credit risk as the difference between the provisions for active operations and off-balance sheet lending

liabilities, the amount of uncovered credit risk as at 01 January 2024 amounted to UAH 385 128 thousand (as at 01 January 2023: UAH 165 861 thousand). The amount of uncovered credit risk reduces the amount of the Bank's regulatory capital and is reflected in the structure of regulatory capital as at 01 January 2024.

Market risk

Market risk is the possibility of incurring losses or additional losses or not receiving planned income as a result of unfavorable impact of market risk factors (foreign exchange rates, interest rates and/or other factors). Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios of financial instruments. Market risk arises from open positions in interest rates, currencies and equity financial instruments, all of which are exposed to general and specific market movements and changes in market prices.

In accordance with the NBU Resolution No. 162 of 30 December 2021, the NBU has developed and approved an internal regulation on the calculation of the minimum market risk. As at 01 January 2024, the test period for calculating the minimum market risk amount, which is calculated in accordance with this regulation and amounts to UAH 64 063 thousand, is in effect.

Currency risk

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

The Bank has assets and liabilities denominated in several foreign currencies. Currency risk arises when actual or forecasted assets in a foreign currency are greater or less than liabilities in the same currency. Management sets limits and continuously monitors currency positions in accordance with the NBU regulations and approved internal methodology.

The total amount of the Bank's open currency positions does not put a strain on the Bank's capital and earnings.

Table 32.1. Analysis of currency risk

(UAH thousand)

Currency name	31 December 2023			Net position
	Monetary assets	Monetary liabilities	Derivative financial instruments	
US dollars	1 298 354	1 010 994	(495 163)	(207 804)
Euro	1 390 459	936 236	(370 247)	83 976
Pounds sterling	7 037	64	(15 662)	(8 688)
Russian rubles	71 097	81 102	-	(10 005)
Belarusian ruble	-	-	-	-
Swiss franc	264	251 476	253 405	2 193
Canadian dollar	17	-	-	17
Forint	1 429	19	-	1 410
Yuan Zhenminbi	-	-	-	-
Czech koruna	-	-	-	-
Zloty	469	37	-	432
Gold	50	-	-	50

(UAH thousand)

Currency name	31 December 2022			
	Monetary assets	Monetary liabilities	Derivative financial instruments	Net position
US dollars	1 091 678	(1 044 116)	(214 751)	(167 189)
Euro	1 225 694	(877 912)	(344 036)	3 747
Pounds sterling	7 237	(8)	-	7 229
Russian rubles	85 865	(97 640)	-	(11 775)
Swiss franc	194	(216 093)	214 123	(1 776)
Canadian dollar	16	-	-	16
Forint	8	(17)	-	(9)
Zloty	491	(6)	-	485
Gold	346	-	-	346

Table 32.2. Changes in profit or loss and equity as a result of possible changes in exchange rates at the reporting date, with all other variables held constant

(UAH thousand)

Currency name	31 December 2023		31 December 2022	
	Impact on profit/(loss)	Impact on equity	Impact on profit/(loss)	Impact on equity
Strengthening of the US dollar by 5%	14 368	14 368	2 378	2 378
Weakening of the US dollar by 5%	(13 684)	(13 684)	(2 265)	(2 265)
Euro strengthened by 5%	22 711	22 711	17 389	17 389
Euro depreciation by 5%	(21 630)	(21 630)	(16 561)	(16 561)
Pound sterling strengthened by 5%	349	349	252	252
Pound sterling depreciation by 5%	(332)	(332)	(240)	(240)
Strengthening of the Russian ruble by 5%	(50)	(50)	(59)	(59)
Weakening of the Russian ruble by 5%	48	48	56	56
The Swiss franc strengthened by 5%	(12 561)	(12 561)	(10 795)	(10 795)
Swiss franc weakened by 5%	11 962	11 962	10 281	10 281
Strengthening of the Canadian dollar by 5%	1	1	1	1
Canadian dollar depreciation by 5%	(1)	(1)	(1)	(1)
Strengthening of the forint by 5%	1	1	-	-
Weakening of the forint by 5%	(1)	(1)	-	-
Strengthening of the zloty by 5%	22	22	24	24
Zloty depreciation by 5%	(21)	(21)	(23)	(23)
Strengthening of gold by 5%	3	3	17	17
Weakening of gold by 5%	(2)	(2)	(16)	(16)

Interest rate risk

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

Interest rate risk is measured by the extent to which changes in market interest rates affect interest margins and net interest income. When the composition of interest earning assets differs from that of interest bearing liabilities, net interest income will increase or decrease as a result of changes in

interest rates. As part of its interest rate risk management activities, management continually evaluates market interest rates for various types of interest-bearing assets and liabilities.

Interest margins on assets and liabilities having different maturities may increase as a result of changes in market interest rates. In practice, management changes the interest rates on certain financial assets and liabilities based on current market conditions and mutual agreements, which are documented by an addendum to the principal agreement specifying the new interest rate.

Financial assets and liabilities are carried at their carrying amounts based on the earlier of contractual interest repricing or maturity dates. For assets and liabilities with fixed interest rates, the maturity is determined from the balance sheet date to the contractual maturity date, and for assets and liabilities with variable interest rates, the maturity is determined by reference to the closest interest rate repricing date or maturity date, whichever is earlier.

Table 32.3 General analysis of interest rate risk

<i>In thousands of UAH</i>	On request and less 1 month	1 to 6 months	6 to 12 months	More than a year	Total
31 December 2023					
Total financial assets	2 514 424	2 653 719	800 597	3 546 916	9 515 656
Total financial liabilities	6 117 141	2 500 536	552 472	1 282 374	10 452 523
Net gap on interest-bearing assets and liabilities at the end of the reporting period	(3 602 717)	153 183	248 125	2 264 542	(936 867)
31 December 2022					
Total financial assets	1 637 674	1 745 553	1 105 353	3 749 314	8 237 894
Total financial liabilities	3 713 110	1 282 411	782 597	2 712 825	8 490 943
Net gap on interest-bearing assets and liabilities at the end of the reporting period	(2 75 436)	463 142	322 756	1 036 489	(253 049)

Table 32.4 Monitoring of interest rates on financial instruments

<i>In percentage per annum</i>	31 December 2023				31 December 2022			
	hryvnia	US dollar	Euro	Other currencies	hryvnia	US dollar	Euro	Other currencies
ASSETS								
Loans and receivables from banks	-	-	-	-	-	0.03	-	-
Loans and advances to customers	20.7	6.82	6.89	-	16.0	9.3	8.1	-
Investments in securities	16.41	-	-	-	10.4	3.9	-	-
LIABILITIES								
Placements with banks	15.0	-	-	-	25.0	-	-	-
Customer deposits	9.77	0.84	0.79	7.26	8.8	1.2	1.3	8.0

Current accounts	7.02	0.07	0.1	-	3.5	0.04	0.02	-
Term funds	15.32	1.26	8.0	15.02	15.0	1.8	1.8	-
Lease liabilities	7.74	-	-	-	-	-	-	-
Subordinated debt	6.86	6.0	-	-	6.8	6.0	-	-

Liquidity risk

Liquidity risk is an actual or potential risk arising from the bank's inability to meet its liabilities in due time without incurring unacceptable losses.

Assets, liabilities and liquidity will be managed by the Asset and Liability Committee (ALCO). The ALCO analyzes the balance of assets and liabilities by maturity and makes recommendations to eliminate any mismatches that arise over time. In addition, the ALCO reviews the cost of liabilities and return on assets, analyzes compliance with economic covenants and monitors compliance with reserve requirements set by the National Bank of Ukraine and makes recommendations on asset and liability management to ensure compliance with regulatory ratios. The ALCO is also responsible for optimizing cash flows and ensuring payment discipline; coordinates the corporate forecasting system, etc.

Liquidity risk is one of the key financial risks, the efficiency of which determines the stable financial position of the Bank. In order to manage the liquidity risk, the Bank analyzes the structure of assets and liabilities, liquidity position, both in general for all types of currencies and in the context of each individual currency in which the Bank will conduct its operations. In addition, the Bank monitors compliance with the mandatory reserve requirements for borrowed funds on the correspondent account, economic ratios set by the National Bank of Ukraine (short-term liquidity ratio N6, liquidity coverage ratio LCR, net stable funding ratio (NSFR), as well as internal regulatory requirements. An important tool for effective liquidity management is the use of the method of analyzing the balance of maturities of active investments and borrowed funds (GAP analysis), as well as cash flow forecasting. Compliance with the established limits is monitored on a daily basis based on the analysis of daily statistical and management reports.

Table 32.5. Analysis of financial liabilities by maturity for 2023

<i>In thousands of hryvnias</i>	On demand and less 1 month	From. 1 to 3 months	From. 3 to 12 months	More than 12 months	Total
Placements with banks	145	-	-	700 000	700 145
Customer deposits:	6 328 407	766 053	2 109 454	173 151	9 377 065
<i>funds of individuals</i>	644 366	236 626	1 517 263	15 860	2 414 115
<i>others</i>	5 684 041	529 427	592 191	157 291	6 962 950
Other fundraising	1 163	28 979	137 533	101 289	268 964
Lease liabilities	976	3 761	15 678	15 515	35 930
Subordinated debt	1 378	-	-	292 381	293 759
Other financial liabilities	316 197	276	221 795	6 907	545 175
Total payments on financial liabilities (on balance sheet items)	6 648 266	799 069	2 484 460	1 289 243	11 221 038
Financial guarantees	1 296	128 384	3 598 976	2 784 077	6 512 733

Other credit related Liabilities (guarantees issued, letters of credit)	-	58 783	-	-	58 783
Total potential future payments on financial liabilities	6 649 562	986 236	6 083 436	4 073 320	17 792 554

Table 32.6: Analysis of financial liabilities by maturity for 2022

<i>In thousands of UAH</i>	On demand and less 1 month	From. 1 to 3 months	From. 3 to 12 months	More than 12 months	Total
Placements with banks	44 589	89 178	391 233	3 160 068	3 685 068
Customer deposits:	3 886 183	721 762	1 308 578	34 838	5 951 361
<i>funds of individuals</i>	847 075	640 846	903 863	7 522	2 399 306
<i>others</i>	3 039 108	80 916	404 715	27 316	3 552 055
Other fundraising	1 535	28 633	96 470	280 439	407 077
Lease liabilities	-	9 265	26 289	21 572	57 126
Subordinated debt	2 998	3 269	14 340	431 706	452 313
Other financial liabilities	111 541	204 885	237	809	317 472
Total payments on financial liabilities (on balance sheet items)	4 046 846	1 056 992	1 837 147	3 929 432	10 870 417
Financial guarantees	1 265	58 604	93 847	-	153 716
Other credit related liabilities (guarantees issued, letters of credit)	1 479 928	469 277	678 427	2 409 067	5 036 699
Total potential future payments on financial liabilities	5 528 039	1 584 873	2 609 421	6 338 499	16 060 832

Table 32.7. Maturity analysis of financial assets and liabilities based on expected maturities for 2023

<i>In thousands of UAH</i>	On request and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	2 091 735	-	-	-	-	2 091 735
Investments in financial instruments	515 526	152 565	1 342 323	4 079 129	183	6 089 726
Loans and advances to customers	1 199 868	1 379 118	578 890	469 532	90 278	3 717 686
Derivative financial instruments	-	-	11 086	-	-	11 086
Other financial assets	98 334	2 336	42 856	10	-	143 536
Total financial assets	3 905 463	1 534 019	1 975 155	4 548 671	90 461	12 053 769
Liabilities						
Placements with banks	700 145	-	-	-	-	700 145
Customer deposits	6 154 593	813 539	2 199 239	209 694	-	9 377 065

<i>In thousands of UAH</i>	On request and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
Lease liabilities	978	3 786	14 450	16 716	-	35 930
Subordinated debt	1 377	-	-	75 910	216 472	293 759
Other fundraising	2 094	29 666	134 472	102 733	-	268 965
Other financial liabilities	289 353	274	221 795	33 642	110	545 174
Total financial liabilities	7 148 540	847 265	2 569 956	438 695	216 582	11 221 038
<i>Net liquidity gap at the end of the day on December 31</i>	(3 243 077)	686 754	(594 801)	4 109 976	(126 121)	832 731
<i>Aggregate liquidity gap at the end of the day on December 31</i>	-	(2 556 323)	(3 151 124)	958 852	832 731	-

Table 32.8. Maturity analysis of financial assets and liabilities based on expected maturities for 2022

<i>In thousands of UAH</i>	On request and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	1 049 498	-	-	-	-	1 049 498
Investments in financial instruments	848 317	70 465	20 609	3 087 381	119	4 026 891
Loans and advances to customers	1 003 462	1 005 241	1 846 391	626 549	35 384	4 517 027
Derivative financial instruments	-	286	6 114	-	-	6 400
Other financial assets	99 205	3	30 396	13 697	-	143 301
Total financial assets	3 000 482	1 075 995	1 903 510	3 727 627	35 503	9 743 117
Liabilities						
Placements with banks	-	-	-	2 100 000	-	2 100 000
Customer deposits	3 861 862	693 880	1 270 868	30 534	-	5 857 144
Lease liabilities	-	9 265	26 218	21 643	-	57 126
Subordinated debt	1 364	-	-	73 103	216 485	290 952
Other fundraising	938	27 480	92 217	276 436	-	397 071
Other financial liabilities	111 541	204 885	237	699	110	317 472
Total financial liabilities	3 975 705	935 510	1 389 540	2 502 415	216 595	9 019 765

<i>In thousands of UAH</i>	On request and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
<i>Net liquidity gap at the end of the day on December 31</i>	(975 223)	140 485	513 970	1 225 212	(181 092)	723 352
<i>Aggregate liquidity gap at the end of the day on December 31</i>	-	(834 738)	(320 768)	904 444	723 352	-

When analyzing financial assets and liabilities by maturities based on expected maturities, the data are presented at carrying amounts.

When analyzing financial assets and liabilities, the Bank does not take into account balances on non-monetary items to which it refers:

- for active operations: inventories, prepaid expenses, receivables for the purchase of assets and services, advances, property, plant and equipment, and right-of-use assets;
- for passive transactions: deferred expenses, accounts payable for the acquisition of assets, provisions for liabilities.

Geographic risk

Geographical risk is the risk that the Bank will incur a loss as a result of non-fulfillment of contractual liabilities by clients or counterparties located in a particular country and therefore subject to the risks specific to that country. Geographical risk is managed by assessing the risk of each country (and, where appropriate, oblast), which is taken into account by management in decision-making.

The Bank has insignificant geographical risk in active operations: the volume of transactions with non-residents accounts for 9,8% of active operations, of which 8,5% are balances in EUR on correspondent accounts, and the volume of passive operations is 6,26%.

Operational risk, including IT and information security risk

The Bank's operational risk is the probability of the Bank's losses as a result of inadequate or failed internal processes, human factors, failures and errors in systems, and external events. This category includes, in particular, all types of fraud and legal risk. In the event of a failure in the internal control system, operational risk may result in financial losses, legal or regulatory consequences, or reputational damage.

ICT services - services provided through information and communication technology systems to internal or external users, including data entry, data storage, data processing and reporting services, as well as monitoring and business support and decision-making services;

The information security management system is a part of the overall risk management system based on the approach that takes into account information security risks as business risks, designed to develop, implement, operate, monitor, review, maintain and improve information security.

Operational risk assessment is the process of determining the significance of operational risk based on the analysis of the combination of the probability of occurrence of a risk event and possible losses (financial or non-financial). To determine the level of risk, the Bank has developed and approved an operational risk matrix, according to which, depending on the frequency of the event and/or the loss incurred, the risk of the event is assessed as "low", "medium", "high", "critical". The Bank conducts an

expert assessment of operational risks on a monthly basis. Based on its results, decisions are made to implement appropriate measures to minimize and prevent operational risks. The assessment also includes not only monitoring of risk events, but also proactive management of operational risks that can be foreseen.

To manage operational risk, the Bank has established the Bank's Operational Risk Management System, a set of duly documented and approved risk management policies, methods and procedures that define the procedure for actions aimed at carrying out a systematic process of identifying, measuring, monitoring, controlling, reporting and mitigating operational, including information risks at all organizational levels.

Since 2022, the military aggression of the Russian Federation against Ukraine has become a significant challenge to assessing the Bank's ability to withstand operational risks. According to the incident "Military aggression of the Russian Federation against Ukraine", registered on 24 February 2022, from the beginning of the aggression, the Bank took into account the costs incurred as a result of hostilities, namely: unrecovered investments in branches closed due to hostilities, direct material losses due to hostilities, payment for downtime to bank employees, lost income due to lack of electricity or communication as a result of missile attacks on the country's energy infrastructure, additional costs to ensure the continuous operation of the Bank's structural units.

Note 33. Capital management

The Bank's capital is measured and analyzed by individual components of its types, taking into account the certain conditionality of this approach and the interrelation of all types.

Regulatory capital is one of the most important indicators of banks' performance, the main purpose of which is to cover the negative effects of various risks that banks assume in the course of their activities and to ensure the protection of deposits, financial stability and stable operations of banks. Below is the calculation of regulatory capital in accordance with the NBU requirements for the calculation of mandatory ratios of the Bank, with the clarification in terms of taking into account the actual financial result of the Bank for the reporting year according to the data in these financial statements for the reporting and the previous year.

Table 33.1 Structure of regulatory capital

(UAH thousand)			
Line	Item	Dec 31, 2023	Dec 31, 2022
1	Fixed capital (FC)	427 710	500 461
1.1	Actually paid registered share capital	457 280	457 280
1.2	Disclosed reserves created or increased from retained earnings:	64 931	61 083
1.2.1	General reserves and reserve funds created in accordance with the laws of Ukraine	64 931	61 083
1.2.1.1	of which reserve funds	63 802	59 954
1.3	Decrease in fixed capital:	(94 501)	(17 902)
1.3.1	Intangible assets less amortization	(15 234)	(17 768)
1.3.2	capital investments in intangible assets	-	(134)
1.3.3	non-core assets	(79 267)	-
2	Additional capital (AC no more than FC)	343 824	474 496

Line	Item	Dec 31, 2023	Dec 31, 2022
2.1	Subordinated debt included in equity	246 886	260 382
2.2	Current year estimated profit	96 938	214 114
2.2.1	Current year financial result	94 793	76 962
2.2.2	Uncovered credit risk	(385 128)	(165 861)
2.2.3	Profit of previous years (5030)	467 853	394 739
2.2.4	Income not received more than 30 days from the date it is accrued, not past due	(57 624)	(36 166)
2.2.5	Accrued income contractually due	(142 905)	(117 174)
2.2.6	Portion of the provision for an active banking transaction that relates to accrued income past due for more than 30 days	119 949	61 614
3	<i>Distraction</i>	-	-
4	Total regulatory capital	771 534	974 957

The components and the procedure for calculating the amount of the Bank's principal and additional capital are set out in the Instruction on the Procedure for Regulation of Banks of Ukraine approved by Resolution of the Board of the National Bank of Ukraine No. 368 of 28 August 2001 (the "Instruction") and the Methodology for Calculating Economic Standards for Regulation of Banks in Ukraine approved by Resolution of the Board of the National Bank of Ukraine No. 803-rsh of 15 December 2017 (the "Methodology").

The capital management processes are a sequence of actions to:

- assessing the quality of all assets and off-balance sheet liabilities;
- making appropriate adjustments to their value by forming provisions to cover expected losses on counterparty liabilities;
- adjusting the amount of capital for the amount of diversions in accordance with the Methodology;
- calculating the forecast regulatory capital ratio;
- continuous analysis of changes in the absolute value of regulatory capital by components by item;
- assessing the impact of changes in the amount of capital on other ratios that use the regulatory capital value in their calculation.

The regulatory capital adequacy ratio, calculated in accordance with the NBU requirements, is 14,18%, with the prescribed limit of 10%.

The core capital adequacy ratio, calculated in accordance with the NBU requirements, is 7,09%, with the prescribed limit of 7%.

Note 34. Bank contingent liabilities

1) consideration of cases in court

As at 01 January 2024, the Bank is dealing with property claims, both in favor of the Bank and for recovery from the Bank. The total amount of lawsuits exceeds UAH 1,4 billion. Most of the claims against the Bank are related to the institution of guarantees, which by their legal content are legal relations that are not limited to only one obligation of the guarantor to the beneficiary, but also include

a whole range of liabilities between the parties to the relationship regarding the guarantee itself. Given the Bank's legal position and the Bank's legal and unrestricted right of recourse against the principal and/or the guarantor, management believes that potential litigation risks in terms of payment of funds to comply with court decisions and non-receipt of reimbursement for such payment are unlikely and insignificant. This is confirmed by the low level of non-performing assets in the Bank as a whole.

Thus, the following cases involving the Bank are being considered in relation to the bank guarantee of 07 September 2021 No. 11122-21/1 issued to secure the fulfillment of the liabilities of the principal, United Energy LLC (hereinafter referred to as the "Company/Principal"), to the beneficiary, PrJSC NPC Ukrenergo (hereinafter referred to as "Ukrenergo"):

- case No. 910/3268/22 on the claim of Ukrenergo against the Bank for recovery under the issued guarantee and the claim of the Company as a third party asserting independent claims on the subject matter of the dispute to recognize the guarantee as unenforceable. The first instance decision partially satisfied the claim, the Bank filed an appeal, the case is being considered by the Northern Commercial Court of Appeal, the hearing is scheduled for 25 April 2024.

The Bank argues in court that starting from 07 March 2022, the Principal, in accordance with the Market Rules, acquired the status of "Default", which meant a ban for Ukrenergo to sell electricity in its favor, i.e. all claims of Ukrenergo for imbalance bills issued after 07 March 2022 were not payable due to the said ban and illegal actions of Ukrenergo. This fact is confirmed by the Act No. 05/21-1 of 06 January 2023, drawn up by the State Audit Service of Ukraine based on the results of the state financial audit of Ukrenergo's activities for the period from 01 January 2018 to 30 June 2022.

Thus, there is evidence pointing to the unlawful behavior of Ukrenergo as the Beneficiary aimed at illegally increasing the Principal's debt, including for the purpose of obtaining an unlawful benefit against the guarantee issued by the Bank and receiving payment from the Bank under this Guarantee.

There is a substantial probability that the Supreme Court or the Court of Appeal will uphold the Bank's position, which will result in a refusal to collect the principal amount of the debt that arose in contravention of the Law and the Market Rules, and therefore the Bank, based on Article 565 of the Civil Code of Ukraine, has lawfully refused to pay under the guarantee.

In addition, the Bank issued guarantees to secure the fulfillment of the liabilities of the principal, Odesagaz-Postachannya LLC (Odesagaz), to the beneficiary, Gas Supply Company Naftogaz-Trading LLC (Naftogaz), of 23 September 2021 No. 2742-21/12 and 18 August 2021 No. 2742-21/11. The following cases are being considered by the courts regarding these guarantees:

- case No. 910/6583/22 on the claim of Naftogaz against the Bank with the participation of the third party Odesagaz. The decision of 14 December 2022, upheld by the decision of the Commercial Court of Appeal of 29 March 2023, dismissed the claim for recovery of funds from Naftogaz Bank, satisfied the counterclaim, and declared the guarantee unenforceable.

The courts came to reasonable conclusions that there were no grounds to make payments under the guarantee, as the beneficiary's claims were received after the guarantee expired.

- case No. 910/6924/22 on the claim of Naftogaz against the Bank with the participation of the third party Odesagaz for recovery of funds and on the claim of Odesagaz. By the decision of 30 May 2023, the claim for recovery of funds was dismissed, the counterclaim was satisfied, and the guarantee was recognized as unenforceable. However, by the decision of the Commercial Court of Appeal of 30 January 2024, the court decision was canceled, the original claim was partially satisfied.

In general, the circumstances of this case are similar to the previous case No. 910/6583/22). The key point is that Naftogaz's claim was sent to the Bank much later than the guarantee expired, and such a delay cannot be explained only by the beginning of full-scale aggression and active hostilities

around Kyiv. Please note that both Naftogaz and the Bank are located within the city of Kyiv, and post offices in the city partially resumed operations on 28 February 2022, and in March 2022, their work was fully restored. Therefore, Naftogaz, acting reasonably and in good faith, had the opportunity to send a demand to the Bank much earlier than March 31, 2022, but did not do so. In such circumstances, we believe that there are grounds for the Supreme Court to cancel the decision of the Commercial Court of Appeal and uphold the decision of the court of first instance or refer the case for a second appeal. The Bank estimates the chances of a positive decision in our favor to be above average.

2) potential tax liabilities

Ambiguity in the interpretation of certain taxation issues by the State Tax Service of Ukraine and frequent changes in tax legislation do not exclude the risks of possible additional tax liabilities, fines and penalties in the future. However, given that the Bank's policy on taxation of banking operations with income tax, accrual and payment of other taxes, fees, and mandatory payments is based on the principles of compliance with applicable tax laws, caution and prudence, the Bank's management considers potential tax risks of future cash outflows in terms of payment of additional tax liabilities, fines, and penalties to be unlikely and insignificant.

3) liabilities for capital investments

The Bank has no contractual liabilities related to the reconstruction of buildings, acquisition of property, plant and equipment and intangible assets.

4) operating lease (rental) liabilities

The Bank does not have any non-cancellable operating lease agreements and, therefore, has no potential Liabilities under non-cancellable lease payments.

5) compliance with special requirements

The Bank did not enter into any agreements to obtain borrowed funds on special requirements.

6) loan liabilities

Table 34.1 Structure of loan liabilities

<i>In thousands of hryvnias</i>	Dec 31, 2023	Dec 31, 2022
Liabilities to extend credit	707 705	826 922
Guarantees provided	7 804 110	4 984 040
Aval provided	50 712	153 717
Uncovered letters of credit	58 783	52 659
Provision for credit related liabilities	(65 127)	(33 643)
Total credit related Liabilities, net of allowance	8 556 183	5 983 695

Table 34.2. Loan liabilities by currency

<i>In thousands of UAH</i>	Dec 31, 2023	Dec 31, 2022
Hryvnia	8 191 170	5 778 647
US dollar	227 242	161 887
Euro	202 898	76 804
Total	8 621 310	6 017 338

7) assets pledged as collateral and assets subject to restrictions on their possession, use and disposal

As at the end of the day on 31 December 2023, the Bank had assets pledged as collateral and restricted assets with the following carrying amounts:

- guarantee coverage under conversion agreements placed with a financial company in the amount of UAH 90 278 thousand (2022: UAH 60 637 thousand);
- securities pledged as collateral for refinancing loans from the National Bank of Ukraine in the amount of UAH 720 045 thousand (2022: UAH 3 185 713 thousand).

Note 35. Change in liabilities related to financing activities

Table 35.1 Changes in liabilities related to financing activities

<i>In thousands of UAH</i>	Subordinated debt	Other fundraising	Lease liabilities
Carrying amount as at 31 December 2021	272 317	283 964	66 224
Raising	-	76 992	-
Repayment	-	(51 501)	(27 019)
Other	18 635	87 616	17 921
Carrying amount as at 31 December 2022	290 952	397 071	57 126
Raising	-	-	-
Repayment	-	(151 229)	(38 098)
Other	2 807	23 123	16 902
Carrying amount as at 31 December 2023	293 759	268 965	35 930

The "Other" movement includes accrued interest, which the bank classifies as cash flows from operating activities, revaluation of liabilities, and accrual of lease liabilities under new lease agreements.

Note 36. Derivative financial instruments

Table 36.1. Fair value of derivative financial instruments held in the Bank's trading portfolio

<i>In thousands of UAH</i>	31 December 2023		31 December 2022	
	positive value of the fair value	negative fair value	positive value of the fair value	negative fair value
Forward contracts	-	-	-	-
Foreign exchange swap contracts	11 086	-	6 400	-
Net fair value	11 086	-	6 400	-

During the reporting year 2023 and the previous year 2022, the Bank did not use derivative financial instruments for hedge accounting.

Note 37. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements assume that the transaction to sell the asset or transfer the liability occurs in a market exchange:

- or in the principal market for the asset or liability;
- or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best interest. The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from using the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Financial instruments carried at fair value.

The carrying amounts of cash and cash equivalents, securities at fair value through other comprehensive income, and short-term receivables and payables approximate their fair values.

Financial instruments carried at amortized cost.

The fair value of floating rate financial instruments is generally equal to their carrying amounts. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at market interest rates for new instruments with similar credit risk and remaining maturity. Discount rates depend on currency, maturity of the instrument and credit risk of the counterparty.

Liabilities carried at amortized cost.

The estimated fair value of fixed interest rate instruments with stated maturities that cannot be quoted at a market price is estimated based on estimated future cash flows discounted at market interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities that are repayable on demand or after a specified period of time is estimated as the amount of amounts payable that can be repaid on demand, discounted from the first date that the amount could be required to be paid.

The cost of short-term assets and liabilities approximates their fair value.

Table 37.1 Fair value of assets and liabilities as at 31 December 2023

<i>In thousands of hryvnias</i>		Fair value under different valuation models			Total fair value	Total carrying amount	The difference (8=6-7)
		quoted market prices (Level I)	valuation technique that uses observable inputs (Level II)	valuation technique that uses unobservable market inputs (Level III)			
1	2	3	4	5	6	7	8
ASSETS							
1	Cash and cash equivalents	2 091 735	-	-	2 091 735	2 091 735	-
2	Loans and advances to customers:	-	-	3 746 264	3 746 264	3 717 686	28 578
2.1	<i>loans to legal entities</i>	-	-	3 590 672	3 590 672	3 570 631	20 041
2.2	<i>loans to individuals</i>	-	-	155 592	155 592	147 055	8 536
3	Investments in securities	6 089 726	-	-	6 089 726	6 089 726	-
4	Other financial assets	-	-	143 536	143 536	143 536	-
5	Investment property	-	43 471	-	43 471	43 471	-
6	Derivative financial instruments	-	-	11 086	11 086	11 086	-
6	Total assets	8 181 461	43 471	3 900 886	12 125 818	12 097 240	28 578
LIABILITIES							
7	Placements with banks	-	-	700 145	700 145	700 145	-
8	Customer deposits:	-	-	9 382 471	9 382 471	9 377 065	5 406
8.1	<i>legal entities</i>	-	-	6 964 729	6 964 729	6 962 950	1 779
8.2	<i>natural persons</i>	-	-	2 417 742	2 417 742	2 414 115	3 627
9	Lease liabilities	-	-	35 930	35 930	35 930	-
10	Other financial liabilities	-	-	545 175	545 175	545 175	-
11	Total liabilities	-	-	10 663 721	10 663 721	10 658 315	5 406

Table 37.2 Fair value of assets and liabilities as at 31 December 2022

<i>In thousands of UAH</i>		Fair value under different valuation models			Total fair value	Total carrying amount	The difference (8=6-7)
		quoted market prices (Level I)	valuation technique that uses observable inputs (Level II)	valuation technique that uses unobservable market inputs (Level III)			
1	2	3	4	5	6	7	8
ASSETS							
1	Cash and cash equivalents	1 049 498	-	-	1 049 498	1 049 498	-
2	Loans and advances to customers:	-	-	4 557 523	4 557 523	4 517 027	40 496
2.1	<i>loans to legal entities</i>	-	-	4 502 172	4 502 172	4 462 261	39 911
2.2	<i>loans to individuals</i>	-	-	55 351	55 351	54 766	585
3	Investments in securities	4 026 891	-	-	4 026 891	4 026 891	-
4	Other financial assets	-	-	143 301	143 301	143 301	-
5	Investment property	-	106 772	-	106 772	106 772	-
6	Derivative financial instruments	-	-	6 400	6 400	6 400	-
6	Total assets	5 076 389	106 772	4 707 224	9 890 385	9 849 889	40 496
LIABILITIES							
7	Placements with banks	-	-	2 100 000	2 100 000	2 100 000	-
8	Customer deposits:	-	-	5 860 503	5 860 503	5 857 144	3 359
8.1	<i>legal entities</i>	-	-	3 528 216	3 528 218	3 527 619	597
8.2	<i>natural persons</i>	-	-	2 332 287	2 332 285	2 329 525	2 762
9	Lease liabilities	-	-	57 126	57 126	57 126	-
10	Other financial liabilities	-	-	317 472	317 472	317 472	-
11	Total liabilities	-	-	8 335 101	8 335 101	8 331 742	3 359

Note 38. Transactions with related parties

Table 38.1. Balances with related parties as at 31 December 2023

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Customer deposits	23 309	12 018	21 346
Loans and advances to customers	42 096	-	1 033
Allowance for loan losses as at 31 December 2023	(2 152)	-	(780)

Table 38.2. Balances with related parties as at 31 December 2022

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Customer deposits	32 093	11 072	560
Loans and advances to customers	38 813	-	1 734
Allowance for loan losses as at 31 December 2022	(10 849)	-	(1 374)

Table 38.3. Income and expenses from transactions with related parties for 2023

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Interest income	2 207	-	518
Interest expense	(91)	(237)	(28)
Fee and commission income	-	-	-
Administrative and other operating expenses	-	(47 779)	(709)

Table 38.4. Income and expenses from transactions with related parties for 2022

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Interest income	2 087	-	518
Interest expense	(1 524)	(317)	(28)
Fee and commission income	102	-	-
Administrative and other operating expenses	-	(41 417)	(2 922)

Table 38.5. Total loans granted to and repaid by related parties in 2023

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Loans granted to related parties during the period	23 319	509	1 513
Loans repaid by related parties during the period	20 036	509	2 369

Table 38.6. Total amount of loans granted to and repaid by related parties in 2022

<i>In thousands of UAH</i>	Bank largest participants (shareholders)	Key management personnel	Other related parties
Loans granted to related parties during the period	2 570	1 145	507
Loans repaid by related parties during the period	2 759	1 206	1 561

Table 38.9. Remuneration to key management personnel (UAH thousand)

Line	<i>In thousands of hryvnias</i>	2023	Dec 31, 2023	2022	Dec 31, 2022
		costs	accrued liability	costs	accrued liability
1	Current payments to employees	(36 052)	(5 579)	(33 632)	(5 199)
2	Payments upon dismissal	-	-	-	-

Note 39. Events after the balance sheet date

As at the date of approval of these financial statements, the Supervisory Board of the Bank decided to cancel the issue of the Bank's shares in the amount of 8 200 000 ordinary registered shares with a nominal value of UAH 234 356 000,00, which was decided by the remote extraordinary general meeting of shareholders of BANK ALLIANCE JSC (Minutes No. 5/2023 of 21 December 2023, drawn up on 26 December 2023), due to the absence of contributions during the placement period. However, the Bank continues to work to increase the authorized capital in accordance with the Strategy of BANK ALLIANCE JSC for 2024-2026 adopted by the Supervisory Board and approved by the Board's decision No. 50 of 28 December 2023.

No other events occurred during the period up to the date of authorization of these financial statements that would require amendments to the financial statements and/or additional disclosures:

- business mergers;
- termination or decision to terminate the activity;
- Bank restructuring;
- court decisions in favor of the plaintiffs, which could result in material financial liabilities for the Bank that are not reflected in the Bank's financial statements.

Board Chairman

Natalia Frolova

Chief accountant

Natalia Bochkovska

