

REPORT OF MANAGEMENT BOARD OF "PRAVEX BANK" JSC FOR 2024

1. INTRODUCTION

Regulatory Overview

This Report of the Management Board of "PRAVEX BANK" JSC (the MB and the Bank) for 2024 has been elaborated taking into account the requirements of the legislation of Ukraine, namely: the Laws of Ukraine **"On Joint-Stock Companies"**, **"On Banks and Banking"**, as well as the **Methodological Recommendations on Organization of Corporate Governance in Banks of Ukraine**, approved by the Board of the National Bank of Ukraine (the NBU) Decision No. 814-rsh on 03.12.2018 (with amendments). The Report is subject to Supervisory Board approval.

Banking Sector Overview

Throughout 2024, the banks were able to provide uninterrupted services to businesses and households and channel more and more resources to the economy to overcome the fallout of the war. The liquidity, solvency, and operational resilience of the banking system do not raise any concerns. The banks' liquidity is quite sufficient for further investment and lending growth. Lending continues to be brisk across all segments as demand strengthens. Investing in digital transformation in the banking sector was the main target for 2024 as banks seek to enhance the customer experience and modernize technology platforms. The financial services industry was experiencing a level of regulatory intensity rarely seen before and the impact from this intensity was being felt across the sector.

2. THE COMPOSITION AND STRUCTURE ASSESSMENT OF THE MB AND MB COMMITTEES:

The MB Composition

The composition of the MB is fully aligned with the requirements of the legislation of Ukraine, including with the requirements on minimum total number of Members of the MB set by the Bank's Articles of Association (i.e., three), presence of AML Officer among the MB Members, and during 2024 it was **as follows**:

Name of the MB member, term of office in the reported period	Chairman (X) / Deputy Chairman (Y) of the MB	Chairman (X) / member (V) of the committee of the MB									
		Credit Committee	Credit Risk Governance Committee	Non-Performing Assets Committee	Assets and Liabilities Management Committee	Operational Risk Committee	Change Management Committee	Information Security Management Committee	Crisis Governance Committee	Tender Committee	Environmental, Social and Governance Committee
Gianluca Corrias, 01.01.2024-31.12.2024	X	X	X	V	X	V	X	X	V	V	
Andrea De Michelis, 22.08.2024-31.12.2024	Y	V	V	V	V	V	V	V	V	V	X
Semen Babaiev, 01.01.2024-31.12.2024	Y	V	V		V		V	V	V		V
Svitlana Kramarova, 01.01.2024-31.12.2024					V	V	V	V	V	X	X
Olena Pokhodziaieva, 01.01.2024-16.02.2024			V ¹		V ¹	V		V	V		V
Ruslan Leshchenko, 01.01.2024-31.12.2024		V	V	V	V		V	V	V		V
Oleh Yefremov, 19.02.2024-31.12.2024			V ¹		V ¹	V		V	V		V
Liliia Ostakhova, 04.03.2024-31.12.2024						V	V	V	V	V	

¹ Member with the voting right limited to issues pertaining to Product Governance

During 2024, there were **the following changes in the MB composition**:

1. resignation of Ms. Olena Pokhodziaieva, CCO- Head of Compliance and AML Department, AML Officer with the last working day on 16.02.2024 (Decision of the Supervisory Board dated 12.02.2024, Minutes No.3_24, agenda item 1)

REPORT OF MANAGEMENT BOARD OF “PRAVEX BANK” JSC FOR 2024

2. appointment of Mr. Oleh Yefremov, CCO-Head of Compliance and AML Department, AML Officer from 19.02.2024 (including the period from 19.02.2024 until 20.05.2024 being Acting Head) (Decision of the Supervisory Board dated 12.02.2024, Minutes No.3 24, agenda item 1)
3. appointment of Ms. Liliia Ostakhova, Head of COO Division from 04.03.2024 (Decision of the Supervisory Board dated 01.03.2024, Minutes No.5 24, agenda item 4)
4. appointment of Mr. Andrea De Michelis, First Deputy Chairman of the Management Board (Decision of the Supervisory Board dated 29.07.2024, Minutes No.16 24, agenda item 16), entering into office on 22.08.2024.

The MB Committees composition

As of 31.12.2024, the Bank has the following established Committees of the Management Board, taking into account the requirements for committees mandatory by law – Credit Committee, Assets and Liabilities Management Committee, and **the composition of which is as follows:**

Committee	Position	Name / Surname
Credit Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias;
	2. First Deputy Chairman of the Management Board	2. Mr. Andrea De Michelis;
	3. Head of CLO Division	3. Mr. Ruslan Leshchenko;
	4. Head of Credit Department of CLO Division	4. Ms. Oksana Yakymovska;
	5. Head of CBO Division	5. Mr. Semen Babayev;
Credit Risk Governance Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias;
	2. First Deputy Chairman of the Management Board	2. Mr. Andrea De Michelis;
	3. Head of CLO Division;	3. Mr. Ruslan Leshchenko;
	4. Head of CBO Division;	4. Mr. Semen Babayev;
	5. CRO-Head of Risk Management Department (with a special veto power);	5. Mr. Serhii Nastin
	6. CCO-Head of Compliance and AML Department (with a special veto and voting right only on issues related to product management).	6. Mr. Oleh Yefremov
Non-Performing Assets Committee	1. CRO-Head of Risk Management Department (special veto power) (Chairman of the Committee)	1. Mr. Serhii Nastin
	2. Chairman of the Management Board	2. Mr. Gianluca Corrias
	3. First Deputy Chairman of the Management Board	3. Mr. Andrea De Michelis;
	4. Head of CLO Division	4. Mr. Ruslan Leshchenko
	5. Head of Credit Management Department of CLO Division	5. Ms. Nataliia Yemelianova
Assets and Liabilities Management Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias
	2. First Deputy Chairman of the Management Board	2. Mr. Andrea De Michelis;
	3. Head of CLO Division	3. Mr. Ruslan Leshchenko
	4. Head of CBO Division	4. Mr. Semen Babayev
	5. Head of CFO Division	5. Ms. Svitlana Kramarova
	6. Head of Treasury and Markets Department of CFO Division	6. Mr. Artem Krasovskiy
	7. CCO- Head of Compliance and AML Department (with a special veto and voting right only on issues related to product management).	7. Mr. Oleh Yefremov
Operational Risk Committee	1. CRO - Head of Risk Management Department (special veto right) (Chairman of the Committee)	1. Mr. Serhii Nastin
	2. First Deputy Chairman of the Management Board	2. Mr. Andrea De Michelis;
	3. Chairman of the Management Board	3. Mr. Gianluca Corrias
	4. Head of COO Division	4. Ms. Liliia Ostakhova
	5. CCO-Head of Compliance and AML Department (special veto right)	5. Mr. Oleh Yefremov
	6. Head of CFO Division	6. Ms. Svitlana Kramarova;
Change Management Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias
	2. First Deputy Chairman of the Management Board	2. Mr. Andrea De Michelis;
	3. Head of CBO Division	3. Mr. Semen Babayev
	4. Head of CFO Division	4. Ms. Svitlana Kramarova
	5. Head of CLO Division	5. Mr. Ruslan Leshchenko
	6. Head of COO Division	6. Ms. Liliia Ostakhova
	7. Head of Organization and Project Management Office of HR and Organization Department	7. Ms. Hanna Nesterenko (ad interim)
Information Security Management Committee	1. Chairman of the Management Board (Chairman of the Committee)	1. Mr. Gianluca Corrias
	2. First Deputy Chairman of the Management Board	2. Mr. Andrea De Michelis;
	3. Head of CLO Division	3. Mr. Ruslan Leshchenko
	4. CCO-Head of Compliance and AML Department (special veto right)	4. Mr. Oleh Yefremov
	5. Head of CFO Division	5. Ms. Svitlana Kramarova

REPORT OF MANAGEMENT BOARD OF “PRAVEX BANK” JSC FOR 2024

Crisis Governance Committee	6. CRO - Head of Risk Management Department (special veto right)	6. Mr. Serhii Nastin
	7. Head of CBO Division	7. Mr. Semen Babayev
	8. Head of COO Division	8. Ms. Liliia Ostakhova
	9. Head of Cybersecurity and Business Continuity Management Department	9. Mr. Oleksii Sirakov.
	1. Chairman of the Bank's Supervisory Board (Chief Crisis Manager) (Chairman of the Committee)	1. Mr. Silvio Pedrazzi
	2. Chairman of the Management Board	2. Mr. Gianluca Corrias;
	3. First Deputy Chairman of the Management Board	3. Mr. Andrea De Michelis;
	4. Head of CLO Division	4. Mr. Ruslan Leshchenko;
	5. Head of CFO Division	5. Ms. Svitlana Kramarova
	6. Head of COO Division	6. Ms. Liliia Ostakhova;
Environmental, Social and Governance Committee	7. Head of CBO Division	7. Mr. Semen Babayev
	8. CCO-Head of Compliance and AML Department (special veto right)	8. Mr. Oleh Yefremov;
	9. CRO - Head of Risk Management Department (special veto right) -	9. Mr. Serhii Nastin
	10. Head of Cybersecurity and Business Continuity Management Department	10. Mr. Oleksii Sirakov
	1. First Deputy Chairman of the Management Board (ESG Manager) (Chairman of the Committee)	1. Mr. Andrea De Michelis
	2. Head of CFO Division	2. Ms. Svitlana Kramarova
	3. Head of CLO Division	3. Mr. Ruslan Leshchenko
	4. Head of CBO Division	4. Mr. Semen Babayev
	5. CRO - Head of Risk Management Department (special veto right)	5. Mr. Serhii Nastin
	6. CCO-Head of Compliance and AML Department (special veto right)	6. Mr. Oleh Yefremov
Tender Committee	7. Head of HR and Organization Department	7. Ms. Hanna Nesterenko;
	1. Head of CFO Division (Chairman of the Committee)	1. Ms. Svitlana Kramarova
	2. Chairman of the Management Board	2. Mr. Gianluca Corrias
	3. First Deputy Chairman of the Management Board	3. Mr. Andrea De Michelis;
	4. Head of the Planning and Control Department of CFO Division	4. Ms. Iryna Barkar;
	5. Chief Accountant-Head of the Accounting Department of CFO Division	5. Ms. Hanna Baranovska;
	6. Head of COO Division	6. Ms. Liliia Ostakhova

During 2024 the following changes in the personal composition of the MB Committees were made:

- Credit Committee, Non-Performing Assets Committee, Assets and Liabilities Management Committee, Credit Risk Governance Committee, Operational Risk Committee, Change Management Committee, Tender Committee, Information Security Management Committee, Crisis Governance Committee due to resignation of **Ms. Olena Pokhodziaieva**, CCO-Head of Compliance and AML Department (was excluded from the list of Voting Members/Permanent invitees with the veto right from 16.02.2024) and appointment of **Mr. Oleh Yefremov** to the said position accordingly becoming the Voting Member/Permanent invitee with the veto right from 19.02.2024 and the appointment of **Mr. Andrea De Michelis** to the position of First Deputy Chairman of the Management Board becoming the Voting Member from 01.09.2024.
- Operational Risk Committee, Change Management Committee, Information Security Management Committee, Crisis Governance Committee, Tender Committee, Environmental, Social and Governance Committee due to appointment of **Ms. Liliia Ostakhova** to the position of Head of COO Division becoming the Voting Member/Permanent Invitee from 04.03.2024.
- Credit Committee due to merger of Corporate and Retail Divisions into CBO Division **Mr. Andrii Strygin** (ex. Acting Head of Corporate Division) was excluded from the list of Voting Members from 01.04.2024 and due to merger of Retail Corporate Department and Corporate Credit Department into Corporate Department of CLO Division being headed by **Ms. Oksana Yakymovska** from 01.10.2024, while **Ms. Nataliia Yemelianova** who has transferred from the position of the Head of Retail Corporate Department to the position of Head of Credit Management Department from 06.08.2024 was excluded from the list of Voting Members.
- Non-Performing Assets Committee, Credit Risk Governance Committee due to resignation of **Mr. Yuri Lytvynenko** from the position of Head of Credit Management Department on 11.06.2024 (was excluded from the list of Voting Members/Permanent Invitee) and transfer of **Ms. Nataliia Yemelianova** to the said vacant position from 06.08.2024 (added to the list of Voting Members/Permanent Invitee).
- Environmental, Social and Governance Committee due to the appointment of **Mr. Andrea De Michelis** to the position of First Deputy Chairman of the Management Board becoming the ESG Manager, Chairperson of the Committee from 01.09.2024.

REPORT OF MANAGEMENT BOARD OF “PRAVEX BANK” JSC FOR 2024

The MB personal distribution of functions

In order to monitor the effective implementation of functions/ goals/ tasks by structural units of the Bank **the following personal distribution of functions and authorities of the MB Members** is duly set in the Bank in accordance with the decision of the Supervisory Board and **as of 31.12.2024** is as follows:

- Mr. Gianluca Corrias as the Chairman of the MB – **CBO Division, HR and Organization, Cybersecurity and Business Continuity Departments, PR and Marketing, AML and Combat of Terrorism Financing Offices**
- Mr. Andrea De Michelis – **CFO, CLO, COO, HR and Organization (project management), Legal and General Secretariat, Compliance and AML, Risk Management**
- Mr. Semen Babaiev – **CBO Division**
- Mr. Liliia Ostakhova – **COO Division**
- Ms. Svitlana Kramarova – **CFO Division**
- Mr. Oleh Yefremov – **Compliance and AML Department**
- Mr. Ruslan Leshchenko – **CLO Division.**

During 2024 **the following changes in the personal distribution of functions** occurred:

- Decision of the Supervisory Board dated 26.03.2024 regarding unifying of functions of Retail and Corporate segments into Chief Business Officer Area under coordination of Mr. Semen Babaiev due to merger of Retail Division and Corporate Division into CBO Division from 01.04.2024.
- Decision of the Supervisory Board dated 29.07.2024 regarding re-distribution of functions between Chairman of the Management Board and First Deputy Chairman of the Management Board, the newly introduced position in the Bank.

CONCLUSION:

By assigning all roles and distributing responsibilities among the Management Board (MB), the Bank secures effective oversight that allows it to progress toward its mission and objectives. The Chairman and MB Members work together in a climate of trust and mutual support, continually coordinating their efforts and consulting with one another as needed to facilitate proper information flow for evaluating relevant risks in the execution of their tasks.

The structure of the MB Committees complies with regulatory requirements regarding the mandatory establishment of MB Committees. The composition and structure of these Committees ensure thorough analysis of issues and the adoption of decisions or recommendations to the MB, thereby promoting the effective and efficient functioning of the Bank through the inclusion of Members and permanent invitees who possess expertise and experience across various banking areas.

3. THE ACTIVITY ASSESSMENT OF THE MB AND MB COMMITTEES

The MB and the MB Committees meetings in 2024

In 2024 the meetings of the MB and MB Committees were convened in line with the provisions stipulated by the Regulation on the Management Board, Regulation on the Management Committees and Regulation on the Tender Committee in part of obligatory periodicity of such meetings (**8 vs 10 corporate bodies were held fully** in line with the frequency requirements set out by the regulations, while **2 – partially** (please see the justification below).

The ordinary MB and the MB Committees meetings in their majority were duly held in line with the Corporate Bodies Calendar meeting approved by the MB on 24.01.2024. In case of urgent need – the business need or regulatory requirement - the extraordinary meetings were convened by remote participation via videoconference or decisions were taken via polling. **Average ratio of the ordinary / extraordinary meetings – 88%/12% vs 84%/16% in 2023.**

Corporate Body	Total number of held meetings	Number of the meetings set by Regulations	Ordinary meetings held – remote participation videoconference vs number of meetings set by the Regulations		Extraordinary meetings held		Ordinary/ extraordinary ratio
					Polling	Remote participation (videoconference)	
MB	38	24 (twice a month)	24	FULFILLED	9	5	63%/37%
CC	46	24 (twice a month) ¹	40 ¹	FULFILLED	6	0	87%/13%

REPORT OF MANAGEMENT BOARD OF “PRAVEX BANK” JSC FOR 2024

NPAC	32	12 (once a month) ¹	31	FULFILLED	1	0	97%/3%
CRGC	12	12 (once a month)	12	FULFILLED	0	0	100%/0%
ALCO	20	12 (once a month)	12	FULFILLED	7	1	65%/35%
ORC	4	4 (once a quarter)	4	FULFILLED	0	0	100%/0%
CMC	12	12 (once a month)	12	FULFILLED	0	0	100%/0%
ISMC	3	4 (once a quarter)	3	Partially fulfilled ²	0	0	100%/0%
TC	13	4 (once a quarter) ³	9	FULFILLED	4	0	69%/31%
ESGC	5	6 (bi-monthly)	5	Partially fulfilled ⁴	0	0	100%/0%
			8 out of 10 - FULFILLED		Average ratio 88%/12%		

¹ In order to respond promptly to the business needs the decision was taken to convene the CC and NPAC on a weekly basis

² The ISMC meeting has not been held in Q4 and was postponed for January-February 2025 due to overload of Cybersecurity and Business Continuity Department with other prioritized activities considering the long-lasting vacant position of Business Continuity Manager in charge of preparing the consolidated materials for the ISMC consideration.

³ The TC meetings are planned once a month since based on the Bank's operational activities there is a necessity to approve results of tender or approve supplier/purchase etc. on a regular basis.

⁴ In 2024 the ESGC meetings were convened upon such necessity arisen considering the war circumstances, limitations for some ESG initiatives and prioritization of other Bank's activities, while for 2025 it is planned to convene the meetings of ESGC once a month vs bimonthly as set out in the Regulation.

The MB Members' attendance of the MB and the MB Committees meetings in 2024

Based on the results of attendance assessment it should be noted that the regular record of **attendance** as per meetings is **very high, above 90%, average – 91,5% vs 92,4% in 2023** that evidences the high involvement of the MB Members in the banking affairs. During 2024, the MB Members were absent on the meetings due to their vacation, sick leave or business trips.

MB Member	MB	CC	NPAC	CRGC	ALCO	ORC	CMC	ISMC	TC	ESGC
Mr. Gianluca Corrias	32/38 (84,2%)	36/46 (78%)	26/32 (81%)	11/12 (92%)	17/20 (85%)	4/4 (100%)	11/12 (92%)	2/3 (67%)	9/14 (64%)	-
Mr. Andrea De Michelis	13/14 (93%)	28/30 (93%)	21/23 (91%)	4/4 (100%)	5/5 (100%)	1/1 (100%)	4/4 (100%)	2/2 (100%)	4/5 (80%)	2/2 (100%) ¹
Mr. Semen Babaiev	34/38(89%)	42/46 (91%)	-	11/12 (92%)	18/20 (90%)	-	10/12 (83%)	3/3 (100%)	-	5/5 (100%)
Ms. Svitlana Kramarova	36/38 (95%)	-	-	-	14/20 (70%)	4/4 (100%)	12/12 (100%)	3/3 (100%)	14/14 (100%)	5/5 (100%)
Ms. Liliia Ostakhova	28/29 (96%)	-	-	-	-	3/3 (100%)	8/10 (80%)	3/3 (100%)	12/12 (100%)	5/5 (100%)
Ms. Olena Pokhodziaieva*	6/6 (100%)	-	-	-	-	1/1 (100%)	-	-	-	-
Mr. Oleh Yefremov*	31/31 (100%)	-	-	5/5 (100%)	5/5 (100%)	3/3 (100%)	-	2/3 (67%)	-	3/5 (60%)
Mr. Ruslan Leshchenko	36/38 (95%)	41/46 (89%)	30/32 (94%)	12/12 (100%)	19/20 (95%)	-	10/12 (83%)	2/3 (67%)	-	5/5 (100%)
Average presence rate	96%	88%	89%	97%	90%	100%	90%	86%	86%	93%

*as a Voting Member of ALCO and CRGC only for the items related to the POG.

REPORT OF MANAGEMENT BOARD OF “PRAVEX BANK” JSC FOR 2024

The following MB Members actively participated in the MB Committees **being permanent invitees**:

- Mr. Semen Babaiev - Non-Performing Assets Committee;
- Ms. Svitlana Kramarova - Non-Performing Assets Committee, Credit Risk Governance Committee;
- Ms. Olena Pokhodziaieva - Credit Committee, Non-Performing Assets Committee, Change Management Committee, Tender Committee;
- Mr. Oleh Yefremov - Credit Committee, Non-Performing Assets Committee, Change Management Committee, Tender Committee;
- Ms. Liliia Ostakhova - Environmental, Social and Governance Committee.

The MB and MB Committees Activity Plans fulfillment and the key decisions taken in 2024

Pursuant to the MB Activity Plan for 2024, approved by the SB dated 26.01.2024 (Minutes No.2_24) and MB Committees Activity Plan for 2024 approved by the MB dated 24.01.2024 (Minutes No.5_24), the following key decisions were taken by:

- **Management Board:** Approval of Capitalization/Restructuring Programs, considering matters related to the capital increase process, approval of Recovery Plan, considering the ICAAP reporting package, acknowledgement of the Bank's financial results, financial statements, update on the implementation of the NBU capitalization program, reports of structural units, including on AML, Compliance, RAF, RAS limits, ICAAP and Recovery Indicators, consideration of audit reports and approval of respective action plans, status of implementation of Internal Audit recommendations, approval of assets sale plan, approval of financing to legal entities/individuals in accordance with applicable regulation and internal rules, setting limits on interbank transactions, ensuring a proposal of the annual budget, approval of risk reassessment of outsourced functions, cancellation of outsourced activities and approval of insourcing to the bank, approval of expenses and internal documents in accordance with applicable internal rules, acknowledgement of the Group's documents, approval of suspension of the Bank's branches, approval of inventory results, approval of collateral revaluation results, etc.
- **Credit Committee** – Approval of financing, amendments/review of lending conditions for corporate and retail clients, inter alia, GNG Group, Asbis Group, ML Dila, Oliar Group, Bayadera Logistic LLC, ML Dila LLC, Epicentr K LLC, Biosphere Group / Service Pro LLC, extension/renewal of limits on interbank transactions with financial institutions, accreditation of insurance companies, approval of extension of tranches, approval of waivers for non-fulfillment of covenants, etc.
- **Non-Performing Assets Committee** – Approval of IFRS loan portfolio classification, IFRS provisioning, calculation of credit risk; acknowledgement of the credit management report, status of implementation of the Problem Asset Management Strategy and the Operational Plan, report on the early warning system, results of portfolio analysis for default events/approval of the judgment on absence of default, approval of borrower action plans, approval of NPL restructuring, write-off of impaired assets, approval of voluntary settlement of loans, sale of claim etc.
- **Credit Risk Governance Committee** – Acknowledgement of the credit risk report, approval of concepts for retail and corporate lending products, approval of the retail lending products catalog, internal documents, acknowledgement of the Group's documents, approval of the terms of cooperation with collection companies, post-sale monitoring in part of lending products, etc.
- **Assets and Liabilities Management Committee** – Acknowledgement of the liquidity forecast, cost of funding report, approval of the securities portfolio plan, approval of reference rates, acknowledgement of the financial risk report, delegation of authorities to set variable tariffs (rates/commissions), acknowledgement of reports on the utilization of the granted authorities, setting variable tariffs for the Bank's customers, review of standard rates/tariffs, approval of new product concepts/change of product terms, consideration of post-sale monitoring reports, approval of financial and liabilities product catalogue etc.
- **Operational Risk Committee** – Acknowledgement of operational risk report, acknowledgement of the internal/Group's documents, etc.
- **Change Management Committee** – Acknowledgement of the project portfolio overview, approval of the new projects launch, acknowledgement of status reports on existing projects, acknowledgement of capital budget overview, acknowledgement of the IT enhancement requests overview, etc.
- **Information Security Management Committee** – Acknowledgement of Cybersecurity and BCM reports, ICT reports, approval of internal documents, acknowledgement of the group documents, consideration of proposals related to the business continuity of bank and IT infrastructure.
- **Tender Committee** – Selection of suppliers for purchase of services, approval of cap under agreements.
- **Environmental Social and Governance Committee** – Approval of ESG initiatives, consideration of status update on ESG initiatives implementation.

During 2024 no meetings of Crisis Governance Committee were convened since there were no grounds for convening.

REPORT OF MANAGEMENT BOARD OF "PRAVEX BANK" JSC FOR 2024

CONCLUSION:

Despite the ongoing challenges posed by martial law, it is important to highlight that **the Activity Plans for 2024 of the Management Board (MB) and the MB Committees were successfully completed.**

During the reported period, the MB executed its fundamental responsibilities regarding the current management of the Bank's operations to ensure safety and financial stability. This included ensuring that the activities of the Bank complied with Ukrainian legislation, overseeing daily management and operations, implementing the Bank's strategy and business plan, adhering to risk exposure declarations, and monitoring compliance with Bank regulations.

In making decisions, the MB relied on information from its Members and heads of relevant units, drawing on their own experience and expertise. Meetings featured open and thorough exchanges of information on all matters significant to the Bank's operations.

The decisions made during the meetings of the MB and its Committees in 2024 were conducted in the best interest of the Bank and its shareholders. These decisions were valid, as there was an appropriate quorum present and no objections raised regarding the meeting format, decision-making process, or agenda. All decisions were accurately recorded in the minutes of the MB and MB Committees meetings.

4. THE COMPETENCE AND EFFECTIVENESS ASSESSMENT OF THE CHAIRMAN AND MEMBERS OF THE MB

Following the legislative requirements based on the results of the verification of compliance with the eligibility requirements of the Chairman and Members of the MB, Head of the Internal Audit Department, CRO - Head of the Risk Management Department, Chief Accountant and AML Officer, CCO - Head of Compliance and AML Department assessed by the Supervisory Board on 23.12.2024 (Minutes No.28_24) it was concluded that **the Chairman and the Members of the MB comply with eligibility requirements** in part of the following:

- **education and professional experience** (*higher education, working experience in the banking / financial sector: for the Chairman - at least 5 years out of which 3 years as 1st line manager, for the Members – at least 3 years*).
The Management Board (MB) sufficiently fulfills the Bank's requirements regarding the available skills and experience, taking into account the significant relevant backgrounds of both the Chairman and the MB Members. Their expertise allows for comprehensive analysis of all matters presented to the MB and its Committees. Additionally, MB Members are committed to continually enhancing their knowledge and qualifications. The diverse educational backgrounds — encompassing finance, economics, law, and management — along with the professional experiences of all MB Members effectively address the Bank's product areas and risk profile.
- **independence of opinion and absence of conflict of interests:**
The Chairman and the MB Members possess an independence of opinion that permits the expression of a conclusion without being affected by influences that compromise professional judgment, allowing to act with integrity, and exercise objectivity and professional skepticism. No facts of conflict of interests among the MB Members were declared or identified within 2024.
- **time commitment:**
The Chairman and MB Members contribute significantly to the effective performance of the MB and the MB Committees and they devote enough time for fulfilment of its duties.
- **impeccable reputation:**
Within 2024 no signs were identified that could call into question the impeccable reputation of the Chairman and the MB Members.

According to **the filled Matrix of Collective Suitability** (*Annex to the Report*) of the MB, the MB Members collectively have the knowledge, skills and experience necessary for the MB to exercise its powers. The MB as a collective body has relevant understanding of those areas of the Bank's activities, for which the MB Members are collectively responsible, as well as it carries out the effective governance of the Bank.

The MB **fully complies with the requirements in terms of available skills, experience collective suitability** in accordance with the size of the Bank, complexity, volume, types, nature of the Bank's transactions, organizational structure and risk profile of the Bank.

CONCLUSION:

In this respect it should be noted that despite the protracted state of warfare with all the ensuing consequences considering the management professionalism, comprehensive experience and professional background, continuous cooperation and coordination among the MB Members, the Bank managed to realize the capital

REPORT OF MANAGEMENT BOARD OF “PRAVEX BANK” JSC FOR 2024

increase based the results of resilience assessment, having complied with the set regulatory capital adequacy ratio, to enhance its operational efficiency by introducing the necessary costs optimization initiatives, to improve the credit portfolio quality by restructuring 2 main NPLs of the Bank under more advantageous restructuring conditions, to enlarge the financial investment policy, to maintain the deposit portfolio and start working on restoration of lending production.

5. THE ASSESSMENT OF THE MB GOALS AND 2024 MB ACTION PLAN FULFILLMENT

Despite the ongoing war in Ukraine and all the challenges arisen in view of it, the MB managed to fulfill the key goals established for the Bank in 2024, inter alia,

- o to update the Capitalization/Restructuring Program on achieving the specified required level of capital adequacy indicators based on the NBU requirements
- o to realize the capital increase at the expense of the Shareholder's own funds in the amount of EUR 26 mln.
- o to increase interest income from the placement of funds received from the capital increase (UAH 1.1 bn) in the NBU Certificates of Deposit (overnight)
- o to sign restructuring deals with the 2 main NPLs resulting at increasing pricing, taking additional collateral, decreasing N7 risk
- o to reduce costs for the forming/booking of provisions in 2024 due to repayment of problematic loans and implementation of loan restructuring measures
- o to change Financial Investment Policy, namely, an increase in tenors and limits on Domestic Government Debt Securities (including Domestic Government Debt Securities to meet reserve requirements) and the NBU 3-Month Certificates of Deposit
- o to establish cost optimization initiatives via setting Cost Management Working Group aimed at reviewing all purchases feasibility and setting 80% cap for the budget utilization
- o to keep the good quality of the portfolio by using an early warning system, actively negotiating with customers and restructuring loans for prevention of overdue debt
- o to respect the regulatory/prudential indicators
- o to work on further digitalization of services, constantly upgrading PRAVEX Online
- o to join the state initiatives by organizing accessible financing for businesses seeking to implement projects aimed at increasing the country's energy independence, state program – National cashback
- o to develop the NBU Credit Register 2.0; the first submission in October was successful as well as further submissions
- o to ensure due implementation of regulatory requirements, proper financial monitoring and compliance with the legislation
- o to integrate in the Bank's processes the new Regulatory Capital Framework, the ICAAP and ILAAP requirements, updated features of the Recovery Plan
- o to prepare and submit to the NBU ICAAP Report package and update internal process in accordance with the NBU additional clarification to the banking system and to the Bank individually
- o to improve the Bank's operational efficiency and reducing the CIR indicator;
- o to ensure the continuous operation of the branch network by additionally purchasing and installing inverters in case of long-term power outages.

During the reported year, the Management Board of the Bank took all measures to **implement the action plan set for 2024**, among others,

- o the ESGC meetings were duly convened when such need arose considering the war period. With appointment of First Deputy Chairman of the Management Board – Mr. Andrea De Michelis – covering the role of ESG Manager it was decided to convene the ESGC meetings once a month right after the CMC meeting in view of their interrelation.
- o investigating the usage of Microsoft cloud storage platform in part of meetings materials tool was put on hold in view of other priorities and budget restrictions.
- o the update of the Bank's Strategy and Business Plan was postponed for 2025, nevertheless, the main goals for 2024 were duly implemented - boosting the Bank's profitability, optimization of costs and enhancing the operational efficiency.

6 CONCLUSIONS

Bearing in mind that

- o The **MB composition is fully aligned** with the current legislation of Ukraine and internal regulatory documents in part of minimum number of the MB Members according the Bank's Articles of Association – three Members at least, presence of the AML officer among the MB Members, absence of heading by the Chairman of the MB of the Bank's structural units and holding of any positions by the Chairman and the MB Members in other legal entities, compliance with the requirement of the Chairman and the MB Members to

REPORT OF MANAGEMENT BOARD OF “PRAVEX BANK” JSC FOR 2024

be legally capable individuals, compliant with the qualification requirements for professional suitability and business reputation, established by the legislation, the collective suitability of the MB corresponds to the size, specificities of the Bank's activity, nature and volume of banking and other financial services, the Bank's risk profile, and the Bank's systemic importance;

- The **MB structure is complied with the applicable law and regulatory acts** in part of setting strict personal distribution of functions and authorities of the MB Members, establishment of the obligatory MB Committees (Credit Committee and Assets and Liabilities Management Committee);
- The **MB activity effectiveness is duly respected** in part of convening of the meetings in their majority in line with the approved 2024 Activity Plans and Calendar with the improved average ratio of ordinary and extraordinary meetings – 88%/12% vs 84%/16% in 2023, high level of the MB Members attendance of the MB and the MB Committees, average ratio – 91,5% vs 92,4% in 2023, following the strategy and business plan of the Bank with the focus on the risk-orientated approach, costs optimization, compliance with the regulatory requirements;
- **The Chairman and the MB Members are compliant with the qualification requirements and professional suitability** for corporate officers;
- The **activities** of the MB **led to positive changes in the financial and business activities** of the Bank:
 - During 2024, the Management Board of the Bank paid special attention to the criticality to be in compliance with the regulatory/prudential indicators by realizing the capital increase at the expense of the Shareholder's own funds in the amount of EUR 26 mln and fully respecting the regulatory capital adequacy ratio by the end of 2024 even after implementing new Regulatory Capital Framework (as of 31.12.2024, the regulatory capital adequacy ratio is 38.80% with a limit > 8.5% and higher than the requirements of the Assessment of Sustainability, which required to reach the level of 33.7% as of 30.09.2024; as of 31.12.2023, the regulatory capital adequacy ratio is 18.47% with a limit > 10%)
 - In addition, the focus was made on improvement of the Bank's operational efficiency by reducing and optimizing operating and administrative expenses, including by reviewing the cost structure in line with the Bank's current needs via setting 80% cap for the structural units' expenses and successful implementing of optimization initiatives. As a results, total operating costs were lower than the budgeted by UAH -56 mln or 6%, including impact from implemented costs optimization initiatives was in the amount of UAH 13 mln.
 - Moreover, the due emphasis was laid on portfolio quality by successful restructuring of NPLs, inter alia, the two main NPLs - Nibulon and Agrofusion – as a result the NPLs restructuring of UAH 278 million in equivalent were settled, the interest rate was increased by 0.75 percentage points and repayment of USD 0.6 million for 2024 has already been received
 - Thus, there was a significant increase in investments in Ukrainian government bonds denominated in local currency - the government bonds portfolio increased from UAH 200 million to 2.2 billion during 2024. There was also a tangible increase in investments in securities of foreign issuers - the portfolio of treasury bills issued by the US government increased from USD 10 million to 30 million. Thanks to this, the profitability of assets increased by ca. 100-150 bps in local currency and by 20-50 bps in FCYs.

It can be concluded that the MB and the MB Committees activity for 2024 can be assessed as efficient. The MB acted within the limits of Ukrainian legislation, market standards, the Bank's Articles of Association and fully fulfilled the duties assigned to it. The Bank's MB ensured the preservation of the Bank's assets and its customers, optimally used the Bank's resources, carried out risk identification and management activities, ensured the clear implementation of the orders of the Bank's management bodies in achieving the goal set in the Bank's strategy, contributed to the preservation of the Bank's financial stability despite crisis and on-going war situation in Ukraine.

7. 2025 MB ACTION PLAN

With the purpose of further enhancing the corporate governance practices in the Bank **the following Action Plan** is proposed for consideration:

- To review **the Bank's Strategy and Business Plan for the next 3 years** with the focus on increasing the Bank's profitability, optimizing expenses, and improving operational efficiency, and **to ensure its due implementation**;
- **To re-launch the lending** activities both retail and corporate and **to maintain the liabilities**;
- To proceed with **the increase of the Bank's financial investment portfolio**.