



COMPLIANCE PROGRAMME of Bank Pivdenny



Historical background:

- The compliance function was introduced at the Bank in January 2017 (a new department was established), even before the formal legislative requirements of the NBU.
- Guided by the international legislation and recommendations of the Basel Committee, the Bank adopted its first compliance risk management policy on 14.07.2017.
- The NBU adopted regulatory documents on compliance risks only in a year (Resolution No. 64 dated 11.06.2018).
- In accordance with this legislation, the Bank introduced the required policies, regulations, codes, programs, orders, declarations, procedures, methodologies.

List of internal bank documents on compliance issues:

The main document - Compliance Risk Management Policy of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”: version 10, approved by the Supervisory Board (decision No. 45 dated 16.03.2026)

The internal regulatory documents developed within the framework of the Compliance Risk Management Policy:

- 1) Code of Ethics of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 2) Risk appetite statement of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY” - in terms of determining risk appetite for compliance risk;
- 3) Conflict of Interest Management Policy of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 4) Regulations on the system for reporting unacceptable behavior at the bank PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 5) Anti-corruption program of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 6) Procedure for handling gifts of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 7) Regulations on the Compliance Department of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”.

The procedural documents developed within the framework of the Compliance Risk Management Policy:

- 1) Rules for registering and investigating compliance risk events of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 2) Procedure for identifying, measuring, monitoring, controlling, reporting, and mitigating compliance risks of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 3) Methodology for assessing compliance risk of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 4) Decision of the Management Board on revising the Bank's compliance risk limits and revising the list and threshold values of the Bank's key compliance risk indicators;
- 5) Procedure for conducting a self-assessment of compliance risk of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 6) Program for the application of the Common Standard on Reporting and Due Diligence for Financial Account Information (CRS);
- 7) Program for the Application of the Agreement between the Government of Ukraine and the Government of the United States of America to Improve International Tax Compliance and to Implement the Provisions of the U.S. Foreign Account Tax Compliance Act (FATCA);
- 8) Procedure for investigating violations at PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 9) Training and professional development program on risk management for employees of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 10) Procedure for monitoring and implementation of legislative changes in PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 11) Rules of interaction with the National Bank of Ukraine and other regulatory and supervisory authorities on compliance with legal requirements in PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”;
- 12) Procedure for ensuring control over the timeliness and accuracy of financial, statistical and other reporting of PUBLIC JOINT STOCK COMPANY JOINT STOCK BANK “PIVDENNY”.

Organizational Structure of Compliance Risk Management

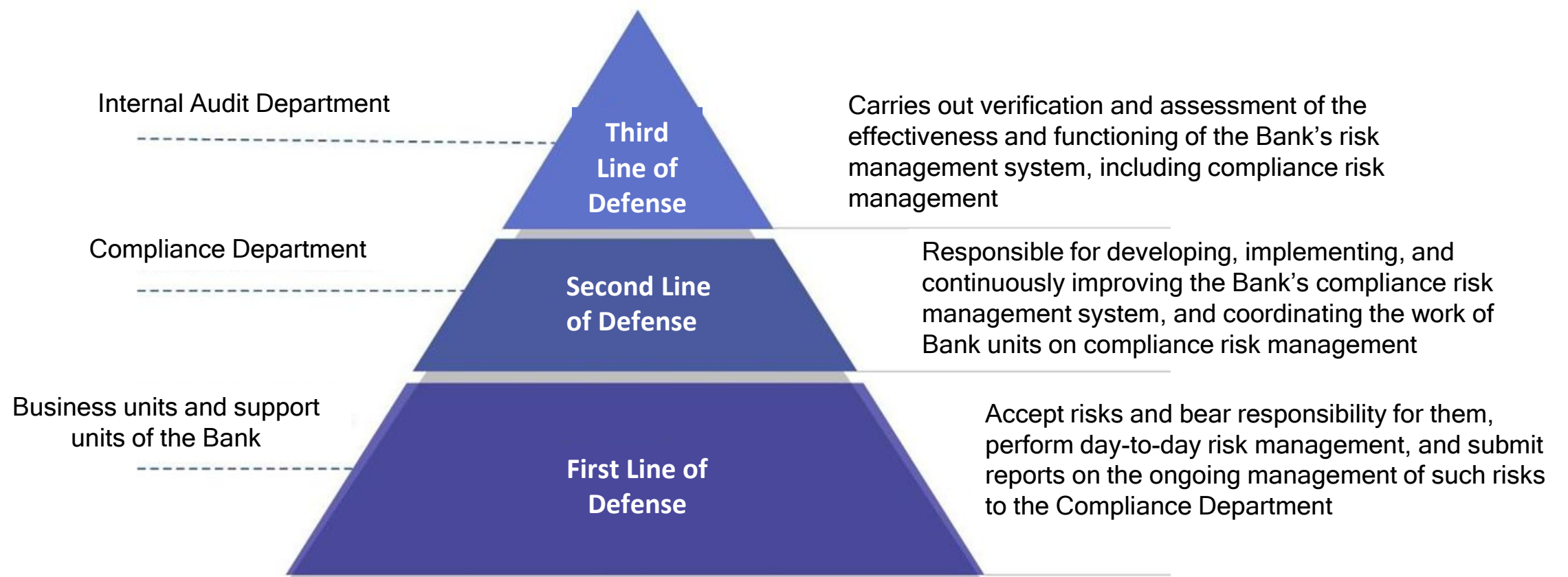
Participants of the compliance risk management system:

- Supervisory Board
- Supervisory Board Risk Management Committee
- Management Board
- Other collegial bodies of the Bank
- Internal Audit Department
- Compliance Department
- Bank's business and support units

In each unit, compliance-risk coordinators are appointed. They are responsible for:

- identifying and assessing compliance risks
- implementing management measures
- reporting detected risks

The organizational system of compliance risk management is based on the Three Lines of Defence model, with clear allocation of roles and responsibilities.



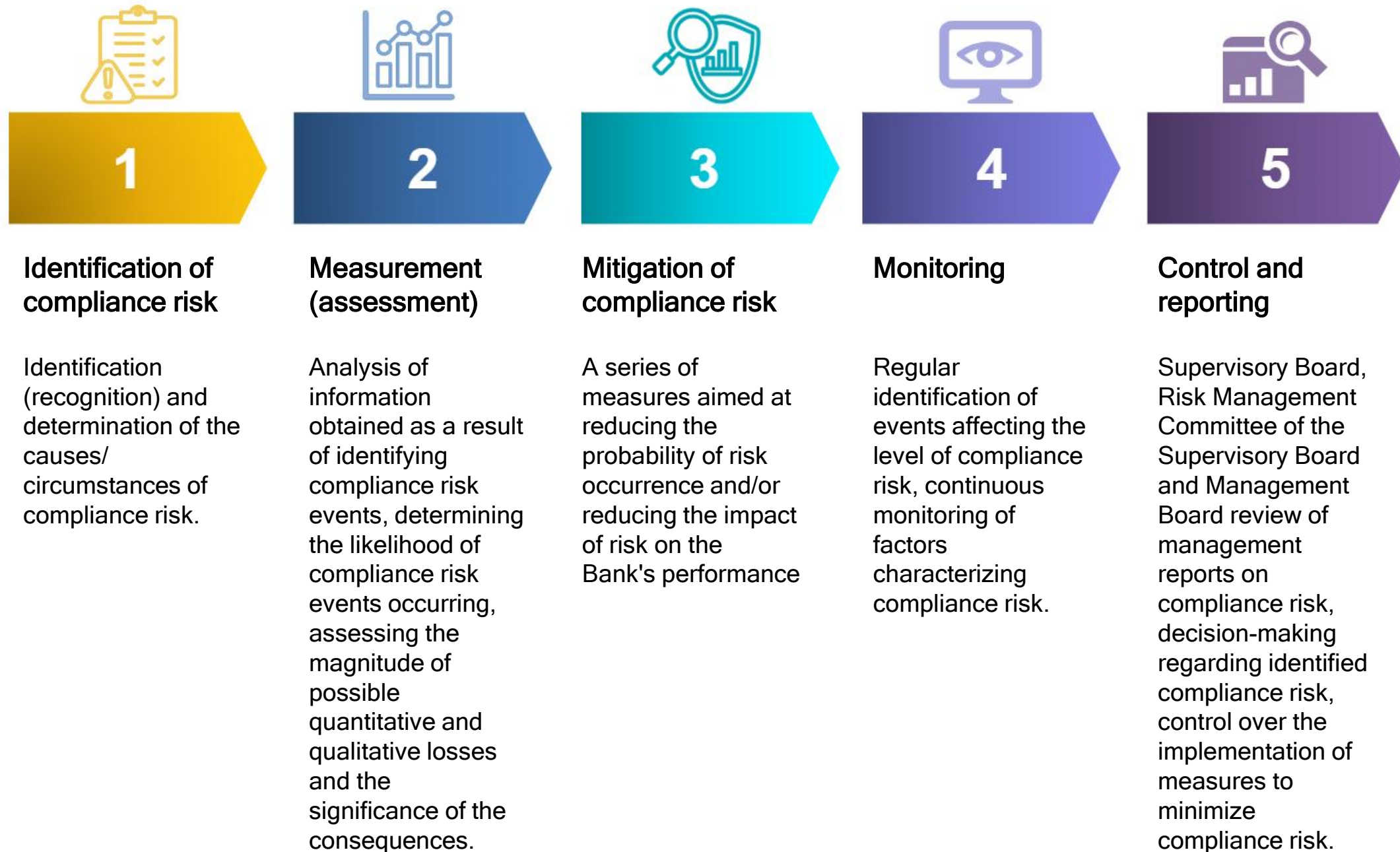
Objects of Compliance Risk



Types of Compliance Risk Events

1. Violation of Ukrainian legislation applicable to the Bank's activities.
2. Conducting high-risk activities that threaten the interests of depositors or other Bank creditors.
3. Violation of foreign legislation applicable to Bank's operations in Ukraine.
4. Violation of requirements of internal Bank documents.
5. Internal fraud.
6. Conflicts of interest.
7. Violation of requirements regarding the timeliness and accuracy of financial and statistical reporting.
8. Violation of the compensation and reimbursement system.
9. Violation of procedures for applying disciplinary actions to employees.
10. Sanctions applied to the Bank.
11. Sanctions applied to Bank management.

Compliance risk management stages



1. Compliance risk identification

The following information/data is used:



- From compliance risk coordinators (data is recorded in the compliance risk event database)



- Results of monitoring and audits conducted by the Compliance Department.



- Results of reviewing internal bank documents.



- From Bank employees as part of the disclosure of information about existing/potential conflicts of interest.



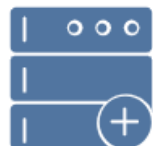
- Results of risk assessment of a new product/significant change in the Bank's activities.



- From customer complaints.



- From reports of the Internal Audit Department and external auditors.



- From the Operational Risk Event Database.



- From regulatory and supervisory authorities (results of inspections and other supervisory measures by regulators - NBU and others).

Compliance Risk Assessment

Compliance risk assessment is performed according to the Methodology for Compliance Risk Assessment

Supervisory Board sets:

- risk appetite for compliance risk
- list of compliance risk limits
- list of Key Risk Indicators (KRIs), the change of which reflects changes in compliance risk

Management Board sets:

- threshold values of compliance risk limits
- threshold values of KRIs

Compliance Department:

- performs quarterly assessment of the compliance risk profile (as of the last calendar day of the reporting period) based on: current data (internal compliance risk events database, self-assessments, internal/external audit results, regulatory inspections) and forward-looking assumptions, judgments
- monitors adherence to risk appetite, limits, and KRIs and informs the Supervisory Board, Risk Committee, and Management Board quarterly

Chief Compliance Officer (CCO):

- quarterly informs the Supervisory Board, the Supervisory Board Risk Committee, and the Management Board about the assessment results and mitigation measures
- escalates breaches of risk appetite or compliance-risk limits no later than the next business day after detection

3. COMPLIANCE RISK MANAGEMENT METHODS

Maintaining risks at the required level within the risk appetite defined by the Bank and does not pose a threat to the interests of depositors, other creditors, the Bank's owners, and the Bank's financial stability.



A series of measures aimed at reducing the likelihood of risk occurrence and/or reducing the impact of risk on the results of the Bank's activities.

Measures to mitigate compliance risk may include:

- adjusting internal bank documents and processes, introducing additional controls;
- providing explanations
- training employees
- others

Transfer of the Bank's responsibility for risk to other persons for a fee while maintaining the existing level of risk (insurance).

Cessation of operations that are highly likely to result in significant losses/sanctions.

4. MONITORING

On a regular basis, monitoring and control measures are carried out to ensure the Bank's internal control system, products, processes, and procedures comply with the requirements of legislation and regulatory acts of the NBU, are also provided the control over the implementation of measures and recommendations to mitigate compliance risks.

5. CONTROL AND REPORTING

The Compliance Department prepares and submits management reports on compliance risk to the Chief Compliance Officer on a quarterly basis, and in the event of situations requiring urgent notification, no later than the next business day.

The Chief Compliance Officer submits **management reports** on compliance risk to the Supervisory Board, the Risk Management Committee, the Management Board - **at least once a quarter**, and in the event of situations requiring urgent notification of the Supervisory Board, - **no later than the next business day**.